

Troy School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

Troy School District
4400 Livernois Road
Troy, Michigan 48098

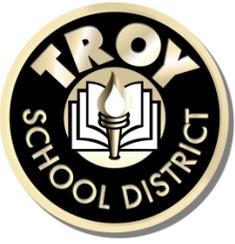
Prepared by:
Division of Business Services
Rick West, Assistant Superintendent, Business Services
Kandice Moynihan, Director of Finance

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Rick West
Assistant Superintendent,
Business Services

Kandice Moynihan,
Director of Finance, Business Services

4400 Livernois
Troy, Michigan 48098-4777
rwest@troy.k12.mi.us

248.823.4022
Fax: 248.823.4013

October 1, 2019

To the Citizens of Troy and the
Board Members of Troy School District:

The Comprehensive Annual Financial Report of Troy School District (the "School District") for the fiscal year ended June 30, 2019 hereby submitted. The report was prepared by the School District's Department of Business Services and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. We believe the data, as presented, is accurate in all material respects. The information is presented in a manner designed to fairly set forth the financial position and the results of operations of the School District as measured by the financial activity of the School District's government-wide financial activity and the activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section introduces the reader to Troy School District, including facts about the School District, this transmittal letter, and the School District's organizational chart. This letter of transmittal is designed to complement the management's discussion and analysis and should and should be read in conjunction with it. The financial section includes the management's discussion and analysis, financial statements, the fund financial statements, notes to the financial statements, required and other supplemental information, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiple-year basis. All funds of the School District are included in this report. The School District does not have component units.

The Board of Education is responsible for the selection and appointment of the superintendent of schools, as well as setting policy, developing long-range educational goals, adopting and amending operating budgets, and evaluating school programs.

It is the mission of Troy School District to ensure learning for all members of the school community. It is the vision of Troy School District to become an exemplary learning community that supports innovation and is committed to continuous improvement. Troy School District will be a place where a collaborative community develops curriculum, instructional strategies, and assessment to ensure all students learn.

Overview

Troy School District is a fiscally independent school district established under the laws of the State of Michigan and governed by an elected, seven-member Board of Education. It is somewhat unique in the Detroit metropolitan area in that its 26.61 square miles are totally within the City of Troy, which has a population of 85,584. It is a suburban district located in Oakland County, Michigan with continuing growth and development provided by upscale office and research facilities, light industry, and housing expansion.

The School District has 12 elementary schools, grades K-5; four middle schools, grades 6-8; two traditional high schools, grades 9-12; one alternative high school; the Troy Center for Transition Program serving Special Education students ages 19 through 26; and hosts the east campus of the International Academy that currently enrolls grades 9-12 and offers an international baccalaureate diploma. The School District also has a Board of Education office; a transportation facility; an adult/alternative/continuing education building which houses the athletics office; a central stores/maintenance facility; and the Services Building housing special education services, media, technology and data services, food services, and teaching and learning.

In November 2013, the School District successfully passed a \$125,000,000, three-series, bond issue. Over the past six years, the bond dollars have funded significant mechanical and electrical upgrades, technology purchases and improvements, secure front entries at all the District's elementary and middle school buildings, roof replacement, and parking lot and infrastructure improvements. Funds were also used to purchase flexible furniture for classrooms, cardio equipment for our high school weight rooms, instruments for our instrumental music programs, and school buses. We have approximately two more years of bond projects to be completed which will include additional building and site improvements to school buildings, the acquisition and installation of technology equipment and technology infrastructure, and the purchase of school buses and furniture.

In November 2017, the community of Troy supported a 10-year 1-mill Building & Site Sinking Fund. The millage generates approximately \$3.9 million annually and is used to make improvements and repairs to the School District's facilities.

The School District is currently constructing a state-of-the-art early childhood center. Troy School District Preschool is being built to help meet the growing need to provide pre-Kindergarten education for Troy students. The building will be open for students starting with the 2019-2020 school year.

Major Initiatives and Achievements

Troy School District offers a comprehensive curriculum for all students. Goals and objectives define the skills, knowledge, and understanding expected of all learners for each subject at each grade level.

Curriculum Development

Core Curriculum

Teachers and administrators in Troy School District implement a comprehensive curriculum for all students in pre-kindergarten through twelfth grade. Our curriculum is based on the Michigan State standards in English language arts, social studies, mathematics, and science.

All state guidelines and requirements have been reviewed by teachers and administrators in the Troy School District and have been integrated into our curriculum. The curriculum of Troy School District meets or exceeds all standards required for school accreditation by the Michigan Department of Education.

Written curriculum and pacing guides function as systematic outlines for instruction. These documents identify what our teachers teach and what students should learn, and many have been uploaded to Rubicon Atlas and/or Schoology, a web-based storage system, providing teachers access to this information from any computer. Class and course goals and objectives have been matched with state, national, and college readiness standards to ensure that we are preparing our students for today, as well as tomorrow. Throughout the Troy School District, high standards infuse the curriculum.

During the past year, several enhancements were made to the Troy School District curriculum. New materials were adopted to help teachers implement the Next Generation Science Standards (NGSS) in grades K-12. This change focuses on teachers using pedagogy that will enable students to do the real work of scientists in classrooms. Another enhancement was to our Multi-Tiered System of Support (MTSS) to meet the needs of all learners. Teachers at the elementary level give benchmark literacy assessments three times per year and this information is housed in Illuminate, our online data warehouse. Professional development for teachers this year focused on the use of this data to make instructional decisions. Secondary English Language Arts teachers adopted the workshop model in grades 6-8 and are continuing to grow understanding of this research-based framework. Materials for secondary Social Studies courses were also updated. In addition, review of our other core curriculum areas – math and elementary social studies – continued throughout the year. Opportunities were provided for teachers in the arts and physical education to meet and review their curriculum areas. Teams of teachers, along with the District’s curriculum and instruction specialists and administrators, refined ambitious learning outcomes and performance assessments across the K-12 curriculum. Teachers continued to have a variety of opportunities to engage in professional learning activities throughout the year.

Troy School District completed another extremely successful internal review through AdvancED on Accreditation and School Improvement. This district accreditation engagement took place in December 2018. District accreditation is an approach that builds the capacity of all schools and departments within the system to increase and sustain student learning. We are one of a limited number of districts in the state of Michigan to have received such accreditation. Our system goals are as follows:

- All Troy School District students will be on track to be college/career ready in literacy.
- All Troy School District students will be college/career ready in mathematics.
- All Troy School District Students will be college/career ready in science.
- All Troy School District Students will be college/career ready in social studies.

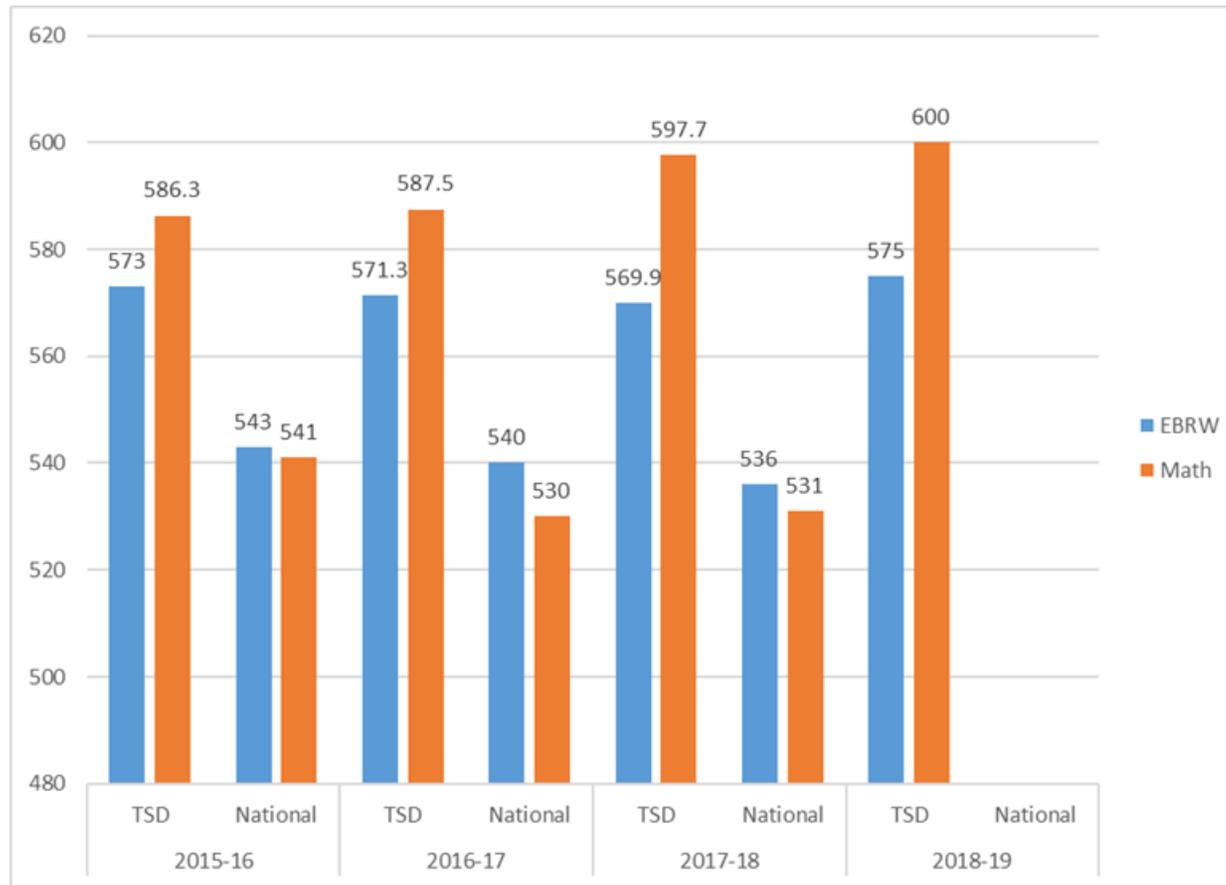
An exceptional number of Troy School District students attend institutions of higher learning upon graduation, both in Michigan and around the country. The University of Michigan is among several institutions that grant additional points for admission consideration to students who have graduated from Troy School District. The five-year history of graduating rates and percent of students attending higher learning institutions is as follows:

<u>Years Ended June 30</u>	<u>Percent of Students Graduating</u>	<u>Percent of Students Attending College</u>
2019	99	97
2018	98	97
2017	99	97
2016	99	98
2015	99	97

Students' results on standardized achievement measures such as the SAT, ACT, and the M-Step tests are among the highest in the tri-county area (see graphs and charts following).

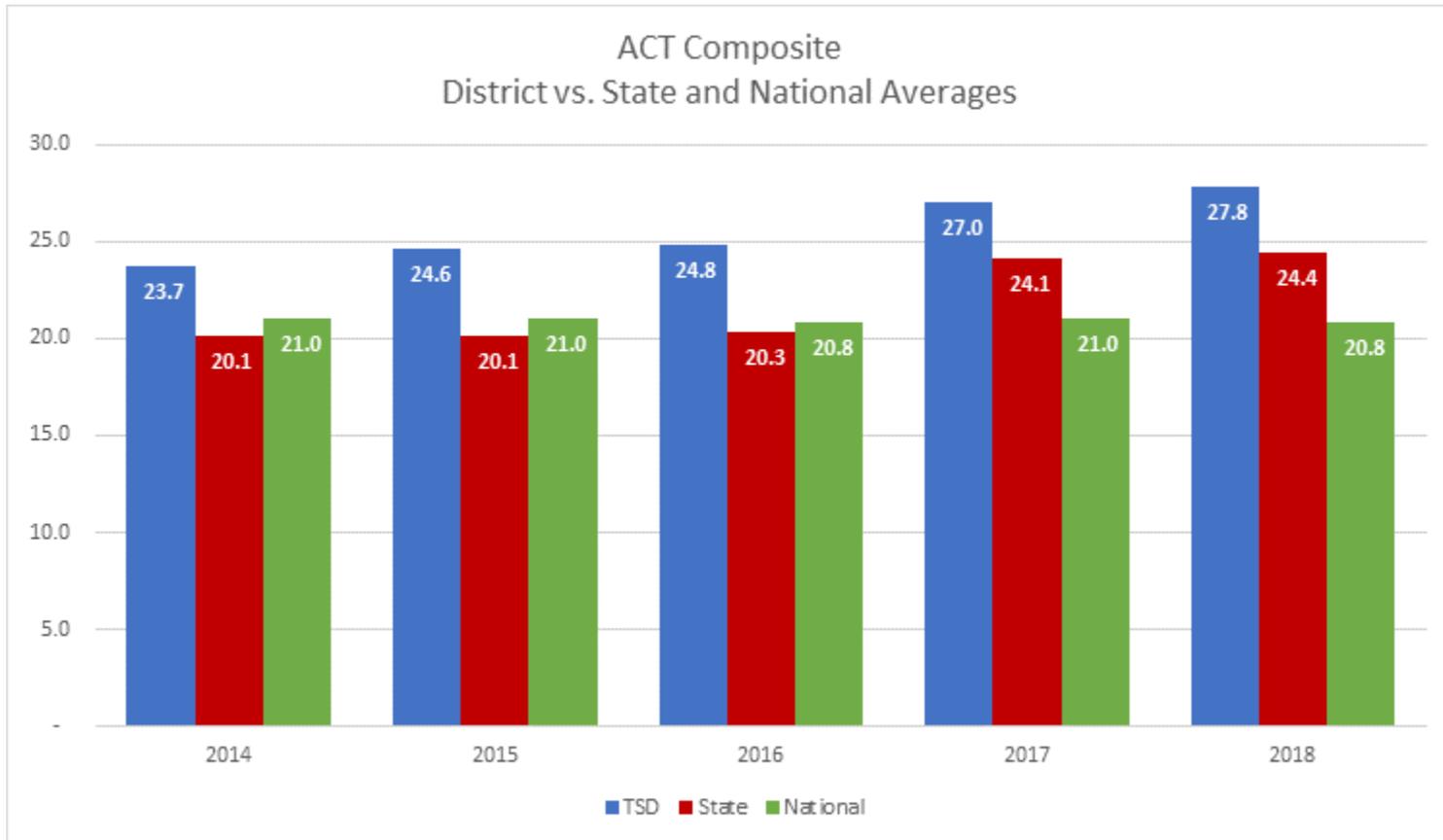
SAT

College Board, the administrator of the SAT, introduced a new SAT mid-year 2015-2016. The old SAT (prior to January 2016) scored the SAT on a scale of 600-2400. The new SAT (after March 2016) readjusted the scale to a score range of 400-1600, as well as modified the test content itself. The new SAT combines reading and writing into a single category score, Evidence Based Reading & Writing. Because of these changes, only the years of 2015-16, 2016-17, 2017-18, and 2018-19 are presented here for comparison and performance trend. The National SAT data for 2018-19 is not available at this time.



ACT

Please note that the ACT National Data release is scheduled for October 2019. Results for 2018-19 are not available at this time.



M-STEP

M-STEP Percent Proficient Test Results									
	Elementary (grades 3-5)			Middle Schools (grades 6-8)			High Schools (grade 11)		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
ELA	74%	74%	75%	72%	71%	73%			
Math	70%	69%	71%	68%	68%	69%			
Science	30%			40%			48%		
Social Studies	44%	43%	37%	52%	47%	46%	62%	66%	61%

Grade 11 does not participate in M-Step for ELA and Math
Science scores are withheld for two years beginning with 2017-18 results, as the test is considered by the Michigan Department of Education to be a sample or pilot test.
Grade 8 no longer participates in M-Step ELA and Math. It has been replaced with PSAT 8/9 for 8 th graders.

Troy School District has 18 buildings that have achieved state recognition as exemplary schools: Athens High School, Troy High School, Baker Middle School, Boulan Park Middle School, Larson Middle School, Smith Middle School, Barnard Elementary School, Bemis Elementary School, Costello Elementary School, Hamilton Elementary School, Hill Elementary School, Leonard Elementary School, Martell Elementary School, Morse Elementary School, Schroeder Elementary School, Troy Union Elementary School, Wass Elementary School, and Wattles Elementary School. All Troy School District K-12 schools have earned the prestigious Blue Ribbon award from the Michigan Department of Education.

Troy School District’s parents value and support education. Troy School District enjoys the active support and participation of parents in PTO/PTA groups, booster clubs, and building and district-level committees. In addition, the Troy African-American Parent Support Network has set goals to support the School District’s academic initiatives. Additionally, in 2012, the School District initiated the Troy Diversity Committee comprised of School District and building administration, teachers, parents, students, and community members whose mission is to create an inclusive environment for all members of the school community. Parent attendance at parent/teacher conferences is high as is the level of parent volunteerism for activities and programs. The high level and quality of parent involvement contribute greatly to the overall quality of the schools’ programs. The School District’s high student achievement and graduation rates are a reflection of family and community values, as well as the clear expectations of Troy educators that students will successfully complete their education.

In consortia with eight other Oakland County school districts, Troy School District participates in an international academy, which is based on an international baccalaureate program. Troy School Districts hosts the east campus of the International Academy. The International Academy East includes grades 9 through 12. During the 2018-2019 school year, 585 students were enrolled in the program. Troy School District also has students participating in the Oakland Schools Early College Program where the curriculum focuses on early college credit acquisition. There are options to meet the needs of special education students at 24 different programs at out-of-school district sites. Approximately 100 students attended the Oakland Technical Education Center to study curriculum ranging from food service and cosmetology to automotive programs.

Economic Condition and Outlook

Since the passage of Proposal A in 1994, it has become apparent that School District revenue will not keep pace with inflation, nor with School District expenditures as we know them. Proposal A substantially shifted funding responsibility from the local level to the state level and from property tax as the major revenue source. Now, the School District is dependent upon the State Legislature for not only the majority of its funds, but also its funding level.

Although the School District is financially stable at the present time with a solid fund balance, the future requires that the School District continue to develop a long-term set of strategies to ensure it is able to maintain a balanced budget in the future.

Internal Controls

This report consists of management's representations concerning the finances of the School District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the School District has established a comprehensive internal control framework that is designed both to protect the School District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the School District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the School District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

All expenditure requests require proper administrative approval before any transactions and orders for goods can be processed. Individual budget managers are responsible for complying with the School District's purchasing policy and are prohibited from over-expending their legally adopted budget allocations.

Budgetary Controls

The School District maintains budgetary controls to ensure that budgets are in compliance with legal provisions in the annual appropriation budget adopted by the Board of Education.

Formal budgetary integration is employed as a management controls device throughout the year for the General Fund, Special Revenue Funds, Capital Projects Funds/Capital Maintenance Fund, and Debt Service Funds. Under the guidelines of Bulletin 1022 (Revised), the State of Michigan's School Accounting Manual, detailed budget information is provided, and appropriate administrators are delegated the responsibility for monitoring and controlling their respective budget allocations. The budget is amended during the year to appropriately address variances that occur.

The administration believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner.

As demonstrated by the statements and schedules included in the financial section of this report, the School District continues to meet its responsibility for sound financial management.

Independent Audit

State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Yeo & Yeo was appointed by the Troy Board of Education to perform this service for the 2018-2019 fiscal year. In addition, the 2 CFR 200 requires governmental recipients of federal assistance to have organization-wide financial and compliance audits on an annual basis.

Single Audit

As a recipient of federal, state, and county financial assistance, the School District is responsible for ensuring that an adequate internal administrative control structure is in place to document compliance with applicable laws and regulations related to those programs. Tests are made by the School District's auditors to determine the adequacy of the internal and administrative control structure. This control structure is also subject to periodic evaluation by management.

There were no findings or questioned costs for Federal awards for the year ended June 30, 2019.

Other Information

Enrollment

Enrollment projections are performed annually and, if necessary, adjustments are made. A five-year projection of enrollment is done utilizing data from the county, city, and school district. Information such as live births, cohort survival ratios, residential building permits, and work force/economic statistics is used in the enrollment projections. Historically, this method has proven to be accurate, within a reasonable variance, for planning future facility needs. Current enrollment is 13,061 students, and enrollment is projected to decrease by 11 students to 13,050 for 2019-20.

Building Information

	<u>Acreage</u>	<u>Square Footage</u>	<u>Year Built</u>	<u>Student Count</u>
<u>High Schools</u>				
Athens High School	50.00	398,426	1974	1,551
International Academy East	(included with Baker)	81,455	1952	638
Troy High School	73.13	343,207	1992	2,027
<u>Middle Schools</u>				
Baker Middle School	40.00	128,458	2007	711
Boulan Middle School	16.00	111,190	1971	827
Larson Middle School	31.94	111,190	1971	784
Smith Middle School	13.79	101,094	1967	676
<u>Elementary Schools</u>				
Barnard Elementary School	15.01	64,312	1978	504
Bemis Elementary School	15.38	64,312	1978	555
Costello Elementary School	22.95	52,175	1972	363
Hamilton Elementary	14.83	64,312	1983	519
Hill Elementary School	12.94	54,456	1967	339
Leonard Elementary School	11.76	59,340	1959	419
Martell Elementary School	14.20	52,919	1972	486
Morse Elementary School	6.64	54,636	1956	490
Schroeder Elementary School	10.00	61,989	1970	528
Troy Union Elementary School	21.78	68,777	1925	474
Wass Elementary School	20.14	64,312	1978	424
Wattles Elementary School	19.00	59,270	1967	497
Administration Building	15.00	12,000	1973	0
Services Building	(Included with Administration Building)	29,263	2000	0
Niles Center	13.60	41,448	1923	222
Transportation Building	4.85	13,728	1964	0
Rankin (Warehouse)	1.59	24,840	Unknown	0
Total	<u>444.53</u>	<u>2,117,109</u>		<u>13,034</u>
Vacant Property	128.30			

Awards

This report has been prepared following the guidelines recommended by the Association of School Business Officials (ASBO). The ASBO awarded a Certificate of Excellence in Financial Reporting to the Troy School District for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1989-2018. In order to be awarded a Certificate of Excellence, the School District must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program's requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report was accomplished through the commitment and dedication of the business office. The Comprehensive Annual Financial Report was prepared by Troy School District's Business Services Department.

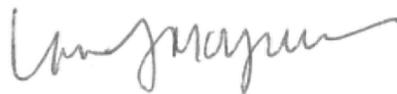
Continued diligence in fiscal management and timely communication between the administration and Board of Education will facilitate efforts to exceed the present high level of excellence expected by the School District's constituents.

In order for the community to know the content of this report, copies will be made available on the School District's website, at the City of Troy Library, and at the offices of the city manager and city clerk.

Respectfully submitted,



Rick West
Assistant Superintendent, Business Services



Kandice Moynihan
Director of Finance, Business Services

Troy School District
Members of the Board of Education and Administration
June 30, 2019

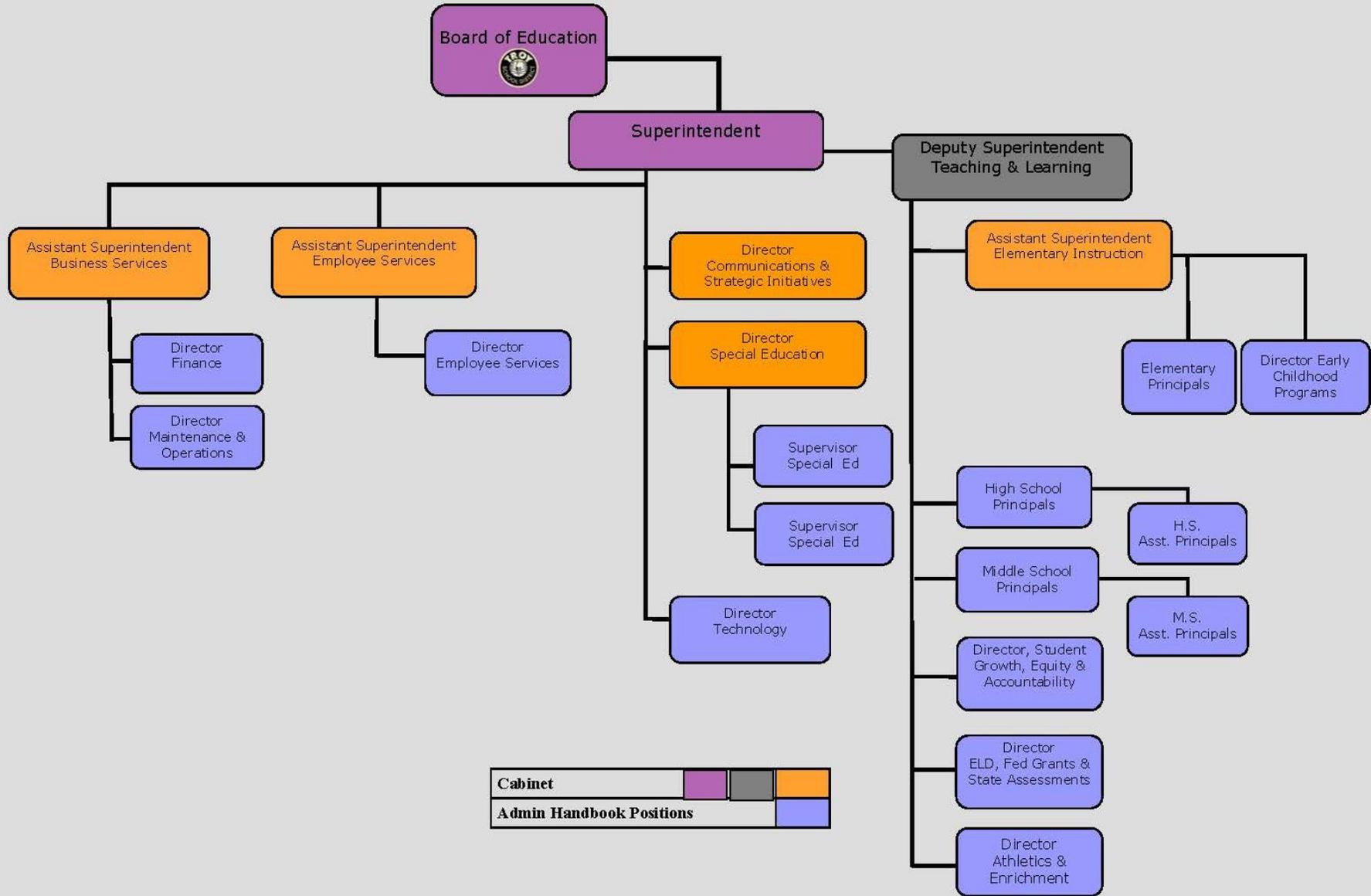
Members of the Board of Education

Karl Schmidt	President
Dr. Nancy Philippart	Vice President
Gary Hauff	Secretary
Dr. Nicole Wilson	Trustee
Paula Fleming	Trustee
Elizabeth Hammond	Trustee
Steve Gottlieb	Trustee

Administration

Richard Machesky, Ed.D.	Superintendent
Rick West	Assistant Superintendent, Business Services
Christine DiPilato	Assistant Superintendent, Secondary Instruction
Jordan Harris	Assistant Superintendent, Employee Services
Kristine Griffor	Assistant Superintendent, Elementary Instruction
Kerry Birmingham	Director of Communications and Strategic Initiatives

2018/2019 ORGANIZATIONAL CHART



Cabinet			
Admin Handbook Positions			





**The Certificate of Excellence in Financial Reporting
is presented to**

Troy School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSR
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

Management and the Board of Education
Troy School District
Troy, MI

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Troy School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Troy School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying Introductory Section and Statistical Section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019 on our consideration of Troy School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Troy School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Troy School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, MI
October 1, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Troy School District
Management's Discussion and Analysis
June 30, 2019

This section of the 2019 annual financial report presents our discussion and analysis of Troy School District's financial performance during the year ended June 30, 2019. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Troy School District financially as a whole. The District-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the District-wide financial statements by providing information about the School District's most significant funds, the General Fund, the Capital Projects 2016 Fund and the Capital Projects 2019 Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

- Management's Discussion and Analysis - MD&A

- Basic Financial Statements
 - District-wide Financial Statements
 - Fund Financial Statements
 - Fiduciary Funds
 - Notes to Financial Statements

- Required Supplemental Information
 - Budgetary Comparison Schedule - General Fund
 - Schedule of the School District's Proportionate Share of Net Pension Liability
 - Schedule of the School District's Pension Contributions
 - Schedule of the School District's Proportionate Share of Net OPEB Liability
 - Schedule of the School District's OPEB Contributions

- Other Supplemental Information
 - Combining Balance Sheet - Nonmajor Funds
 - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Funds
 - Budgetary Comparison Schedule - Governmental Funds (excluding General Fund)
 - Statement of Changes in Fiduciary Assets and Liabilities
 - Schedule of Bonded Indebtedness

Troy School District
Management's Discussion and Analysis
June 30, 2019

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes such as the Food Service Fund. Funds are also established to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. By definition, the General Fund, the Capital Projects 2016 Fund, and the Capital Projects 2019 Fund are the only funds that qualify to be classified as major funds. The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship between governmental activities and governmental funds in a reconciliation format in the financial section on pages 3-6 and 3-9.

Troy School District
Management's Discussion and Analysis
June 30, 2019

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2019 and 2018:

TABLE 1	Governmental Activities	
	June 30	
	2019	2018
	(in millions)	
Assets		
Current and other assets	\$ 98.8	\$ 90.4
Capital assets	188.8	169.8
Total assets	287.6	260.2
Deferred Outflows of Resources		
	102.6	61.3
Total assets and deferred outflows of resources	390.2	321.5
Liabilities		
Current liabilities	30.4	24.8
Long-term liabilities	496.0	452.9
Total liabilities	526.4	477.7
Deferred Inflows of Resources		
	45.7	23.5
Total liabilities and deferred inflows of resources	572.1	501.2
Net Position		
Net investment in capital assets	68.8	64.1
Restricted (deficit)	2.0	1.7
Unrestricted (deficit)	(252.7)	(245.5)
Total net position	\$ (181.9)	\$ (179.7)

Troy School District
Management's Discussion and Analysis
June 30, 2019

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$(181.9) million at June 30, 2019 compared to \$(179.7) million at June 30, 2018. Net investment in capital assets totaled \$68.8 million and \$64.1 million at June 30, 2019 and 2018, respectively. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of \$2.0 million and \$1.7 million at June 30, 2019 and 2018, respectively, are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position, \$(252.7) million and \$(245.5) million at June 30, 2019 and 2018, respectively, was unrestricted.

The \$(252.7) million in unrestricted net position of governmental activities primarily represents the implementation of GASB 68 and 75. Furthermore, deferred inflows relating to net pension liability are \$29.8 million and deferred outflows relating to the net pension liability are \$88.5 million. These deferrals will be amortized through the plan year 2019. Deferred inflows relating to net OPEB liability are \$15.8 million and deferred outflows relating to the net OPEB liability are \$13.0 million. These deferrals will be amortized through the plan year 2022 and 2023, respectively.

Troy School District
Management's Discussion and Analysis
June 30, 2019

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2019 and 2018.

TABLE 2	Governmental Activities	
	2019	2018
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 7.9	\$ 7.8
Operating grants	35.4	34.2
General revenue:		
Property taxes	57.3	54.6
State aid	82.1	81.5
Other	2.7	9.3
Total revenue	185.4	187.4
Functions/Program Expenses		
Instruction	113.5	111.0
Support services	61.6	60.6
Food services	3.9	3.9
Community services	3.9	3.5
Interest and fiscal charges on long-term debt	4.6	5.1
Total functions/program expenses	187.5	184.1
Change in net position	(2.1)	3.3
Net deficit - beginning	(179.8)	(183.1)
Net deficit - ending	\$ (181.9)	\$ (179.8)

**Troy School District
Management's Discussion and Analysis
June 30, 2019**

As reported in the statement of activities, the cost of all of our governmental activities this year was \$187.5 million, an increase of \$3.4 million, approximately 1.9%, from 2017-2018. Certain activities were partially funded from those who benefited from the programs (\$7.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$35.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$57.3 million in taxes, \$82.1 million in State foundation allowance, and with our other revenues (i.e., interest and general entitlements). Total revenue in 2018-2019 was \$185.4, a decrease of approximately \$2.03 million from 2017-2018. The School District experienced a decrease in net position of approximately \$2.1 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$69.1 million, which is an increase of \$2.1 million from last year. The changes in major and nonmajor funds are as follows:

	<u>General Fund</u>	<u>2016 Capital Projects</u>	<u>Early Childhood Learning Center Capital Projects</u>	<u>2019 Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance - beginning	\$ 25,242,472	\$ 22,951,776	\$ 14,335,520	\$ -	\$ 4,479,740	\$ 67,009,508
Net change in fund balance	<u>164,021</u>	<u>(11,712,843)</u>	<u>(13,503,314)</u>	<u>26,940,023</u>	<u>204,310</u>	<u>2,092,197</u>
Fund balance - ending	<u>\$ 25,406,493</u>	<u>\$ 11,238,933</u>	<u>\$ 832,206</u>	<u>\$ 26,940,023</u>	<u>\$ 4,684,050</u>	<u>\$ 69,101,705</u>

**Troy School District
Management's Discussion and Analysis
June 30, 2019**

In the General Fund, our principal operating fund, the fund balance increased \$0.2 million compared to a \$1.04 million increase in the prior year. Revenue and other financing sources increased approximately \$2.1 million from the prior year and expenditures and other financing uses increased approximately \$2.9 million. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes. In school year 2016-2017, the School District issued \$40 million in voter-approved bonds. These bonds were issued in accordance with State law and will be used to fund significant mechanical and electrical upgrades, flexible furniture purchases for secondary math and 4th and 5th grade classrooms, cardio equipment for our weight rooms, instruments for our music program, technology purchases, roof replacement, and parking lot and infrastructure improvements. The 2016 Capital Projects Fund has a fund balance of \$11.2 million at June 30, 2019.

In 2019, the School District issued \$7.1 million in limited general obligation bonds. These bonds were issued in accordance with State law and will be used to fund the construction of a state-of-the-art Early Childhood Learning Center (ECC) to help meet the School District's need to provide pre-Kindergarten education for Troy students. The ECC is expected to be open for operations for the 2019-2020 school year and the Early Childhood Learning Center Capital Projects Fund has a fund balance of \$0.8 at June 30, 2019.

In school year 2018-2019, the School District issued \$22.63 million in voter-approved bonds. These bonds were issued in accordance with State law and will be used to fund improvements to enhance security throughout the School District, other improvements, and additions to school buildings, the acquisition and installation of technology equipment and technology infrastructure, and the purchase of school buses and furniture. The 2019 Capital Projects Fund has a fund balance of \$26.9 million at June 30, 2019.

The other nonmajor governmental funds have a combined fund balance of \$4.7 million, which represents an increase of approximately \$0.2 million.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were no significant amendments to the 2018-2019 General Fund budget during the year. Additionally, there were no significant variances between the final budget and actual amounts. Total revenue was under budget by approximately \$0.5 million and total expenditures were under budget by approximately \$1.9 million. This reflects a 1.2% variance on total expenditures of \$153.7 million.

Troy School District
Management's Discussion and Analysis
June 30, 2019

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had approximately \$188.8 million invested in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$19 million, or 11.2 percent, from last year.

	2019	2018
Land	\$ 2,170,280	\$ 2,381,610
Construction in progress	23,253,556	6,533,440
Buildings and additions	158,328,315	154,866,439
Equipment and furniture	5,049,537	6,029,807
Total capital assets	\$ 188,801,688	\$ 169,811,296

This year's change in capital assets included additions (net of adjustments between classifications) of \$27.5 million to construction in progress, buildings and additions, and furniture and equipment. In November 2018, the community passed a 10-year 1-mill Building & Site Sinking Fund. In 2018, School District issued \$40 million in voter-approved bonds. In 2019, the School District issued \$7.1 million in limited general obligation bonds to fund the construction of the Troy School District Preschool, which is nearing completion. In 2019, the School District issued \$22.63 million in voter-approved bonds. Several major capital projects are planned for the 2019-2019 fiscal year with the use of sinking and bond funds.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$159.0 million in bonds outstanding versus \$143.1 million in the previous year – an increase of \$15.9 million. Those bonds consisted of the following:

	2019	2018
General obligation bonds	\$ 146,700,000	\$ 134,635,000
Plus: deferred issuance premiums	13,352,886	9,723,801
Less: deferred interest	(1,063,806)	(1,235,138)
Total	\$ 158,989,080	\$ 143,123,663

Troy School District
Management's Discussion and Analysis
June 30, 2019

The School District's general obligation bond rating from Moody's was affirmed at AA/Stable while the bond rating from Standard & Poor's was affirmed at AA/Stable. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding unqualified general obligation debt is significantly below this \$540 million statutorily imposed limit.

Other obligations include debt premiums, compensated absences, including sick and vacation pay, and severance obligations. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019 fiscal year is 90 percent and 10 percent of the September 2019 and February 2019 student counts, respectively. The 2019-2020 budget was adopted in June 2019, based on a blended student membership count of 13,050. Approximately 66 percent of total General Fund revenue is from the foundation allowance and state sources. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. At this time, a budget has not been finalized by the State, and The School Aid Act for the 2019-2019 has not been signed into law. The 2019-2020 budget is based on an estimated \$100 per pupil increase. The total projected foundation grant for Troy School District is estimated to be \$9,295 per pupil. The State periodically holds a revenue estimating conference to estimate revenues. If actual State revenue is less than their estimate, reduction to the per-pupil funding may be necessary.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office at 4400 Livernois, Troy, Michigan 48098.

BASIC FINANCIAL STATEMENTS

Troy School District
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 32,113,020
Accounts receivable	336,920
Due from other governmental units	19,806,737
Inventory	140,390
Investments	45,689,792
Prepaid items	678,509
Capital assets not being depreciated	25,423,836
Capital assets - net of accumulated depreciation	<u>163,377,852</u>
Total assets	<u>287,567,056</u>
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	88,536,342
Deferred amount relating to the net OPEB liability	13,007,268
Deferred amount on debt refunding	<u>1,063,806</u>
Total deferred outflows of resources	<u>102,607,416</u>
Total assets and deferred outflows of resources	<u>390,174,472</u>

See Accompanying Notes to the Financial Statements

Troy School District
Statement of Net Position
June 30, 2019

	Governmental Activities
Liabilities	
Checks written excess of deposits	\$ 2,447,086
Accounts payable	7,239,375
Due to other governmental units	2,595,205
Payroll deductions and withholdings	16,438,215
Accrued expenses	765,189
Unearned revenue	943,782
Long-term liabilities	
Debt due within one year	12,772,500
Debt due in more than one year	154,254,846
Net pension liability	260,469,817
Net OPEB liability	<u>68,498,169</u>
Total liabilities	<u>526,424,184</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	29,834,922
Deferred amount relating to the net OPEB liability	<u>15,823,559</u>
Total deferred inflows of resources	<u>45,658,481</u>
Total liabilities and deferred inflows of resources	<u>572,082,665</u>
Net Position	
Net investment in capital assets	68,823,977
Restricted for	
Food service	100,925
Debt service	1,627,470
Capital projects	271,320
Unrestricted (deficit)	<u>(252,731,885)</u>
Total net position	<u>\$ (181,908,193)</u>

See Accompanying Notes to the Financial Statements

Troy School District
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 113,547,445	\$ 603,071	\$ 32,244,375	\$ (80,699,999)
Supporting services	61,412,099	753,299	2,099,618	(58,559,182)
Food services	3,905,867	2,273,020	1,048,386	(584,461)
Community services	3,888,821	4,223,836	-	335,015
Interest and fiscal charges on long-term debt	4,591,605	-	-	(4,591,605)
Total governmental activities	\$ 187,345,837	\$ 7,853,226	\$ 35,392,379	(144,100,232)
General revenues				
Property taxes, levied for general purposes				37,402,073
Property taxes, levied for debt service				15,997,595
Property taxes, levied for sinking fund				3,867,252
State aid - unrestricted				82,083,583
Interest and investment earnings				851,252
Gain on sale of capital assets				212,049
Other				1,528,099
Total general revenues				141,941,903
Change in net position				(2,158,329)
Net position - beginning				(179,749,864)
Net position - ending				\$ (181,908,193)

See Accompanying Notes to the Financial Statements

Troy School District
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Capital Projects Funds			Nonmajor Governmental Funds	Total Governmental Funds
		2016 Capital Projects	Early Childhood Learning Center Capital Projects	2019 Capital Projects		
Assets						
Cash	\$ 25,963,734	\$ -	\$ -	\$ -	\$ 6,149,286	\$ 32,113,020
Accounts receivable	255,223	768	-	-	80,929	336,920
Due from other governmental units	19,297,364	-	-	-	509,373	19,806,737
Inventory	104,366	-	-	-	36,024	140,390
Investments	-	13,695,431	4,934,469	27,059,685	207	45,689,792
Prepaid items	678,509	-	-	-	-	678,509
Total assets	<u>\$ 46,299,196</u>	<u>\$ 13,696,199</u>	<u>\$ 4,934,469</u>	<u>\$ 27,059,685</u>	<u>\$ 6,775,819</u>	<u>\$ 98,765,368</u>
Liabilities						
Checks written in excess of deposits	\$ -	\$ 414,041	\$ 1,463,092	\$ 117,162	\$ 452,791	\$ 2,447,086
Accounts payable	1,362,478	2,043,225	2,639,171	2,500	1,192,001	7,239,375
Due to other governmental units	2,595,205	-	-	-	-	2,595,205
Accrued payroll related liabilities	16,438,215	-	-	-	-	16,438,215
Unearned revenue	496,805	-	-	-	446,977	943,782
Total liabilities	<u>20,892,703</u>	<u>2,457,266</u>	<u>4,102,263</u>	<u>119,662</u>	<u>2,091,769</u>	<u>29,663,663</u>

See Accompanying Notes to the Financial Statements

**Troy School District
Governmental Funds
Balance Sheet
June 30, 2019**

	General Fund	Capital Projects Funds			Nonmajor Governmental Funds	Total Governmental Funds
		2016 Capital Projects	Early Childhood Learning Center Capital Projects	2019 Capital Projects		
Fund Balance						
Non-spendable						
Inventory	\$ 104,366	\$ -	\$ -	\$ -	\$ 36,024	\$ 140,390
Prepaid items	678,509	-	-	-	-	678,509
Restricted for						
Food service	-	-	-	-	174,644	174,644
Debt service	-	-	-	-	2,392,659	2,392,659
Capital projects	-	11,238,933	832,206	26,940,023	271,527	39,282,689
Committed						
Adult and community education	-	-	-	-	557,372	557,372
Facility rentals	-	-	-	-	283,576	283,576
Preschool	-	-	-	-	274	274
Assigned						
Capital Maintenance	-	-	-	-	967,974	967,974
Unassigned	<u>24,623,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,623,618</u>
Total fund balance	<u>25,406,493</u>	<u>11,238,933</u>	<u>832,206</u>	<u>26,940,023</u>	<u>4,684,050</u>	<u>69,101,705</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 46,299,196</u>	<u>\$ 13,696,199</u>	<u>\$ 4,934,469</u>	<u>\$ 27,059,685</u>	<u>\$ 6,775,819</u>	<u>\$ 98,765,368</u>

See Accompanying Notes to the Financial Statements

Troy School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds	\$ 69,101,705
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	25,423,836
Capital assets - net of accumulated depreciation	163,377,852
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,063,806
Deferred inflows of resources resulting from the net pension liability	(29,834,922)
Deferred outflows of resources from the net pension liability	88,536,342
Deferred inflows of resources resulting from the net OPEB liability	(15,823,559)
Deferred outflows of resources from the net OPEB liability	13,007,268
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(765,189)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities	
Net pension liability	(260,469,817)
Net OPEB liability	(68,498,169)
Compensated absences	(6,834,460)
Special termination benefits	(140,000)
Bonds payable	<u>(160,052,886)</u>
Net position of governmental activities	<u>\$ (181,908,193)</u>

Troy School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Capital Projects Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	2016 Capital Projects	Early Childhood Learning Center Capital Projects	2019 Capital Projects		
Revenues						
Local sources	\$ 39,498,087	\$ 997,000	\$ 160,332	\$ 69,430	\$ 26,460,792	\$ 67,185,641
State sources	102,636,252	-	-	-	355,277	102,991,529
Federal sources	3,845,504	-	-	-	3,148,004	6,993,508
Interdistrict sources	7,817,110	-	-	-	-	7,817,110
Total revenues	153,796,953	997,000	160,332	69,430	29,964,073	184,987,788
Expenditures						
Current						
Education						
Instruction	105,006,674	-	-	-	-	105,006,674
Supporting services	48,551,469	-	-	-	2,728,331	51,279,800
Food services	-	-	-	-	3,681,063	3,681,063
Community services	118,691	-	-	-	3,421,386	3,540,077
Capital outlay	-	12,709,843	14,088,510	-	4,265,433	31,063,786
Debt service						
Principal	-	-	-	-	10,565,000	10,565,000
Interest and other expenditures	-	-	-	-	5,054,648	5,054,648
Bond issuance costs	-	-	-	212,698	-	212,698
Total expenditures	153,676,834	12,709,843	14,088,510	212,698	29,715,861	210,403,746
Excess (deficiency) of revenues over expenditures	120,119	(11,712,843)	(13,928,178)	(143,268)	248,212	(25,415,958)

See Accompanying Notes to the Financial Statements

Troy School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Capital Projects Funds					Total Governmental Funds
	General Fund	2016 Capital Projects	Early Childhood Learning Center Capital Projects	2019 Capital Projects	Nonmajor Governmental Funds	
Other Financing Sources (Uses)						
Proceeds from issuance of bonds	\$ -	\$ -	-	\$ 27,083,291	\$ -	\$ 27,083,291
Proceeds from sale of capital assets	-	-	424,864	-	-	424,864
Transfers in	43,902	-	-	-	900,000	943,902
Transfers out	-	-	-	-	(943,902)	(943,902)
Total other financing sources (uses)	<u>43,902</u>	<u>-</u>	<u>424,864</u>	<u>27,083,291</u>	<u>(43,902)</u>	<u>27,508,155</u>
Net change in fund balance	164,021	(11,712,843)	(13,503,314)	26,940,023	204,310	2,092,197
Fund balance - beginning	<u>25,242,472</u>	<u>22,951,776</u>	<u>14,335,520</u>	<u>-</u>	<u>4,479,740</u>	<u>67,009,508</u>
Fund balance - ending	<u>\$ 25,406,493</u>	<u>\$ 11,238,933</u>	<u>\$ 832,206</u>	<u>\$ 26,940,023</u>	<u>\$ 4,684,050</u>	<u>\$ 69,101,705</u>

See Accompanying Notes to the Financial Statements

Troy School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - Total governmental funds	\$ 2,092,197
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(12,329)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(8,254,987)
Capital outlay	27,458,194
Sale of capital assets (net book value)	(212,815)
Expenses are recorded when incurred in the statement of activities.	
Interest	22,867
Benefit claims	644,112
Special termination benefits	7,500
Compensated absences	(413,699)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(35,301,786)
Net change in the deferrals of resources related to the net pension liability	24,618,938
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	8,311,293
Net change in the deferrals of resources related to the net OPEB liability	(5,252,397)

Troy School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued	\$ (27,083,291)
Repayments of long-term debt	10,565,000
Amortization of premiums	824,206
Amortization of deferred amount on debt refunding	<u>(171,332)</u>
Change in net position of governmental activities	<u><u>\$ (2,158,329)</u></u>

Troy School District
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2019

	<u>Student Activities Agency Funds</u>
Assets	
Cash	\$ 2,289,624
Accounts receivable	<u>7,112</u>
Total assets	<u>\$ 2,296,736</u>
Liabilities	
Accounts payable	\$ 236,730
Due to agency fund activities	<u>2,060,006</u>
Total liabilities	<u>\$ 2,296,736</u>

See Accompanying Notes to the Financial Statements

Troy School District
Notes to the Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Troy School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Troy School District
Notes to the Financial Statements
June 30, 2019

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund uses the economic resources measurement focus and the full accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2016 Capital Projects Fund – The 2016 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated to remodeling, equipping, and furnishing sites, buildings, and equipment and for major remodeling projects, as well as the acquisition and installation of technology equipment and infrastructure and the purchase of school buses.

Early Childhood Learning Center Capital Projects – The Early Childhood Learning Center Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically designated to the construction of the Troy School District Preschool.

2019 Capital Projects Fund – The 2019 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated to enhance security throughout the School District, other improvements and additions to school buildings, the acquisition and installation of technology equipment and technology infrastructure, and the purchase of school buses.

Additionally, the School District reports the following fund types:

Capital Projects Funds – The 2014 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling, equipping, and furnishing sites, buildings, and equipment and for major remodeling projects, as well as the acquisition and installation of technology equipment and infrastructure and the purchase of school buses. The Capital Maintenance Fund is financed by support of the General Fund and is used for tracking capital maintenance expenditures. The Sinking Fund is used to record taxes received for the specific purpose of utilizing those funds to make major capital repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund, Troy Career Center, Facility Rentals, Adult and Community Education Funds, and Troy School District Preschool Fund. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from state and federal sources. Revenue sources for the Troy Career Center Fund include dedicated grants from federal and state sources. Revenue of the Facility Rentals Fund consists of charges for the rental of various facilities. Revenue of the Adult and Community Education Fund consists primarily of fees charged to users. Revenue of the Preschool Fund consists of tuition and fees charged to users. Operating deficits generated by these activities are generally the responsibility of the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Troy School District
Notes to the Financial Statements
June 30, 2019

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds.” These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Investments – Investments are stated at fair value, except for the investments in MILAF, which are valued at amortized cost.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2019, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	5.2320
Non-principal residence exemption	18.0000
Commercial personal property	11.6320
Industrial personal property	5.2320
Debt Service Funds	4.1000
Sinking Fund	0.9922

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. All of the School District’s tax roll lies within Oakland County.

Troy School District
Notes to the Financial Statements
June 30, 2019

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The liability for compensated absences reported in the government-wide statement consists of accumulated annual leave balances for sick and vacation pay. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Troy School District
Notes to the Financial Statements
June 30, 2019

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The School District has adopted a minimum fund balance policy, as follows: The Board will endeavor to maintain a minimum year-end fund balance of fifteen (15) percent.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Troy School District
Notes to the Financial Statements
June 30, 2019

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District’s financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District’s leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Troy School District
Notes to the Financial Statements
June 30, 2019

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

Compliance - Capital Projects

The Capital Projects Funds includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2016 Capital Project Fund, Early Childhood Learning Center Fund, and 2019 Capital Project Fund from the inception of the funds through the current fiscal year:

	<u>2016 Capital Projects</u>	<u>Early Childhood Learning Center Capital Projects</u>	<u>2019 Capital Projects</u>
Revenues	\$ 41,398,249	\$ 17,292,715	\$ 27,152,721
Expenditures	(30,159,316)	(16,460,509)	(212,698)

Compliance - Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Troy School District
Notes to the Financial Statements
June 30, 2019

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 32,113,020	\$ 2,289,624	\$ 34,402,644
Investments	45,689,792	-	45,689,792
	\$ 77,802,812	\$ 2,289,624	\$ 80,092,436

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 34,377,035
Investments in securities, mutual funds, and similar vehicles	45,689,792
Petty cash and cash on hand	25,609
Total	\$ 80,092,436

As of year-end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
MILAF + Cash Management Class	\$ 4,946,480	N/A	AAAm	Standard & Poor's
MILAF + MAX Class	31,866,296	N/A	AAAm	Standard & Poor's
MILAF Managed Account				
Freddie Mac Global Notes	2,886,919	2 years	NR	Standard & Poor's
FNMA Benchmark Notes	1,268,145	5 years	AA+	Standard & Poor's
Freddie Mac Notes	2,501,102	3 years	AA+	Standard & Poor's
FHLMC Agency Notes	1,372,992	3 years	AA+	Standard & Poor's
FHLB Agency Notes	847,858	7 years	AA+	Standard & Poor's
	\$45,689,792			

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Troy School District
Notes to the Financial Statements
June 30, 2019

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$34,408,738 of the School District’s bank balance of \$334,848,151 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District’s investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2019:

- Amounts invested in MILAF + Portfolio of \$36,812,776. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)

- Asset backed securities, primarily invested with Federal Government Mortgage Loans (Fannie Mae) and (Freddie Mac), of \$8,877,016. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset (Level 2 inputs).

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,381,610	\$ -	\$ 211,330	\$ 2,170,280
Construction-in-progress	6,533,440	20,981,455	4,261,339	23,253,556
Total capital assets not being depreciated	<u>8,915,050</u>	<u>20,981,455</u>	<u>4,472,669</u>	<u>25,423,836</u>
Capital assets being depreciated				
Buildings and additions	283,131,647	10,493,101	-	293,624,748
Equipment and furniture	48,821,261	244,977	86,203	48,980,035
Total capital assets being depreciated	<u>331,952,908</u>	<u>10,738,078</u>	<u>86,203</u>	<u>342,604,783</u>
Less accumulated depreciation for				
Buildings and additions	128,265,208	7,031,225	-	135,296,433
Equipment and furniture	42,791,454	1,223,762	84,718	43,930,498
Total accumulated depreciation	<u>171,056,662</u>	<u>8,254,987</u>	<u>84,718</u>	<u>179,226,931</u>
Net capital assets being depreciated	<u>160,896,246</u>	<u>2,483,091</u>	<u>1,485</u>	<u>163,377,852</u>
Net capital assets	<u>\$ 169,811,296</u>	<u>\$ 23,464,546</u>	<u>\$ 4,474,154</u>	<u>\$ 188,801,688</u>

Troy School District
Notes to the Financial Statements
June 30, 2019

Depreciation expense was charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 276,893
Supporting services	7,741,250
Food services	53,165
Community services	<u>183,679</u>
 Total governmental activities	 <u>\$ 8,254,987</u>

Construction Contracts

As of year-end, the School District had the following construction contracts in progress:

	<u>Total Contract</u>	<u>Remaining Construction Commitment at Year End</u>	<u>Contract Payable at Year End</u>
Various Projects	<u>\$ 70,748,470</u>	<u>\$ 5,126,029</u>	<u>\$ 2,169,667</u>

Contracts payable at year end represent actual contractor billings and are recorded as a Capital Projects Fund liability. All projects are expected to be complete by June 30, 2020.

Note 6 - Interfund Transfers

Interfund transfers consist of the following:

<u>Transfers in</u>	<u>Transfers Out Nonmajor Governmental Funds</u>
General Fund	\$ 43,902
Nonmajor governmental funds	<u>900,000</u>
	<u>\$ 943,902</u>

For the year ended June 30, 2019, the School District transferred funds to cover indirect cost expenses incurred in the Food Services and Troy Career Center funds. The Adult and Community Education Fund transferred excess fund balance to the Troy School District Preschool Fund in the amount of \$400,000. The Facility Rentals Fund transferred \$500,000 of excess fund balance to the Capital Maintenance Fund.

Troy School District
Notes to the Financial Statements
June 30, 2019

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	<u>Unearned</u>
Student lunch accounts	\$ 150,813
Tuition/fees received in advance	720,224
Categorical aid payments received prior to meeting all eligibility requirements	<u>72,745</u>
Total	<u>\$ 943,782</u>

Note 8 - Operating Leases

The School District leases the building for the Troy Career Center and a fleet of copiers under operating leases. Total costs for these leases were \$118,734 and \$139,669, respectively, for the current year. Future minimum payments are as follows:

Year	Amount
2020	\$ 249,581
2021	172,772
2022	<u>37,904</u>
	<u>\$ 460,257</u>

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. Other long-term obligations include compensated absences and severance obligations.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 134,635,000	\$22,630,000	\$ 10,565,000	\$ 146,700,000	\$ 12,235,000
Premium on bonds	<u>9,723,801</u>	<u>4,453,291</u>	<u>824,206</u>	<u>13,352,886</u>	<u>-</u>
Total bonds payable	<u>144,358,801</u>	<u>27,083,291</u>	<u>11,389,206</u>	<u>160,052,886</u>	<u>12,235,000</u>
Other liabilities					
Compensated absences	6,420,761	949,760	536,061	6,834,460	530,000
Severance obligations	<u>147,500</u>	<u>-</u>	<u>7,500</u>	<u>140,000</u>	<u>7,500</u>
Total other liabilities	<u>6,568,261</u>	<u>949,760</u>	<u>543,561</u>	<u>6,974,460</u>	<u>537,500</u>
Total	<u>\$ 150,927,062</u>	<u>\$28,033,051</u>	<u>\$ 11,932,767</u>	<u>\$ 167,027,346</u>	<u>\$ 12,772,500</u>

For governmental activities, compensated absences and severance obligations are primarily liquidated by the General Fund.

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General obligation bonds payable at year end, consist of the following:

\$43,580,000 refunding bond due in annual installments of \$4,155,000 to \$4,360,000 through May 1, 2024 interest at 1.89%	\$ 21,040,000
\$52,710,000 general obligation bond due in annual installments of \$2,000,000 to \$7,950,000 through May 1, 2028, interest ranging from 4.00-5.00%	37,550,000
\$31,930,000 refunding bond due in annual installments of \$3,210,000 to \$3,295,000 through May 1, 2026, interest at 5%	22,755,000
\$40,000,000 general obligation bond due in annual installments of \$950,000 to \$4,650,000 through May 1, 2032, interest ranging from 2.94-4.50%	35,600,000
\$7,125,000 general obligation bond due in annual installments of \$225,000 to \$485,000 through May 1, 2040, interest at 3.00%	7,125,000
\$22,630,000 general obligation bond due in annual installments of \$800,000 to \$2,525,000 through May 1, 2034, interest ranging from 4.00-5.00%	<u>22,630,000</u>
Total general obligation bonded debt	<u>\$ 146,700,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Bonds		
	Principal	Interest	Total
Year Ending June 30,			
2020	\$ 12,235,000	\$ 5,736,726	\$ 17,971,726
2021	12,500,000	5,364,178	17,864,178
2022	11,590,000	4,915,159	16,505,159
2023	11,780,000	4,492,895	16,272,895
2024	11,975,000	4,066,471	16,041,471
2025 - 2029	56,810,000	13,545,625	70,355,625
2030 - 2034	27,145,000	3,703,947	30,848,947
2035 - 2039	2,180,000	335,054	2,515,054
2040	<u>485,000</u>	<u>18,188</u>	<u>503,188</u>
Total	<u>\$ 146,700,000</u>	<u>\$42,178,243</u>	<u>\$ 188,878,243</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$2,392,659 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest and other expenditures for the fiscal year in the Debt Service Funds were \$4,834,958.

Compensated Absences

Accrued compensated absences at year end, consist of \$323,694 of vacation hours earned and vested and \$6,510,766 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

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Administrative Severance Obligation

The School District has an administrative severance program in place. The liability of \$140,000 is calculated based on years of service and will be paid out as eligible individuals retire or are terminated in accordance with the administrator's handbook.

Deferred Amount on Refunding

The School District issued bonds in 2012 and 2015 to advance refund and retire previously issued term bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,076,925 in the 2012 refunding and \$1,523,006 in the 2015 refunding. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Deferred amount on refunding	\$ (1,235,138)	\$ -	\$ 171,332	\$ (1,063,806)	\$ -

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty, as well as medical benefits provided to employees. The School District participates in the SET-SEG risk pool for claims relating to property and general liability. The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District was self-insured for workers' compensation claims through June 30, 2017. Under the self-insured plan, workers' compensation liabilities are recorded when the occurrence of the liabilities is probable and reasonably estimable. As of July 1, 2017, the School District is no longer self-insured for workers' compensation claims, and claims are fully insured. The amounts recorded at June 30, 2018 are based on compensation and medical costs expected to be paid for all claims that have been incurred through June 30, 2017, including both those claims that have been reported as well as those that have not been reported.

The School District is self-insured for dental insurance and has contracted with an independent administrator to process the dental claims. The liability for dental claims that have been reported and an estimate of incurred but not reported claims is not significant.

Changes in the estimated liabilities of the School District's self-insured plans for the past two fiscal years were as follows:

	2019	2018
Estimated liability at the beginning of the year	\$644,112	\$691,858
Estimated claims incurred including changes in estimates		138,089
Claim payments	<u>(644,112)</u>	<u>(185,835)</u>
Estimated liability end of year	<u>\$ -</u>	<u>\$644,112</u>

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

Troy School District
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Note 11 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

Troy School District
Notes to the Financial Statements
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The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were \$23,593,556 for the year ending September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the School District reported a liability of \$260,469,817 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.8664 percent, which was a decrease of 0.0024 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total pension expense for the School District was \$35,709,002. For the year ending June 30, 2019, the School District recognized pension expense of \$23,851,102.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 1,208,629	\$ (1,892,789)	\$ (684,160)
Changes of assumptions	60,324,595	-	60,324,595
Net difference between projected and actual earnings on pension plan investments	-	(17,809,514)	(17,809,514)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>4,481,800</u>	<u>(619,404)</u>	<u>3,862,396</u>
Total to be recognized in future	66,015,024	(20,321,707)	45,693,317
School District contributions subsequent to the measurement date	<u>22,521,318</u>	<u>(9,513,215)</u>	<u>13,008,103</u>
Total	<u>\$ 88,536,342</u>	<u>\$ (29,834,922)</u>	<u>\$ 58,701,420</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Net Deferred Outflow of Resources by Year
 (To Be Recognized in Future Pension Expenses)

2019		\$ 19,568,413
2020		13,653,069
2021		9,035,433
2022		<u>3,436,402</u>
		<u>\$ 45,693,317</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 7.05%
 - Pension Plus Plan: 7.00%
 - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

• Mortality:

- Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees: 4.5304 years

Recognition period for assets: 5 years

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Troy School District
Notes to the Financial Statements
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Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	5.0
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
6.05% / 6.0% / 5.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
<u>\$ 341,976,753</u>	<u>\$ 260,469,817</u>	<u>\$ 192,750,803</u>

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

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Notes to the Financial Statements
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Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 - Postemployment Benefits Other Than Pensions (OPEB) Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund (PHF)	0.0%	6.13%

Required contributions to the OPEB plan from the School District were \$5,593,431 for the year ended September 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the School District reported a liability of \$68,498,169 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.8617 percent, which was a decrease of 0.0056 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the School District was \$3,253,031. For the year ending June 30, 2019, the School District recognized total OPEB expense of \$6,319,573.

Troy School District
Notes to the Financial Statements
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At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (12,749,269)	\$ (12,749,269)
Changes of assumptions	7,253,991	-	7,253,991
Net difference between projected and actual earnings on OPEB plan investments	-	(2,632,548)	(2,632,548)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>18,575</u>	<u>(441,742)</u>	<u>(423,167)</u>
Total to be recognized in future	7,272,566	(15,823,559)	(8,550,993)
School District contributions subsequent to the measurement date	<u>5,734,702</u>	<u>-</u>	<u>5,734,702</u>
Total	<u>\$ 13,007,268</u>	<u>\$ (15,823,559)</u>	<u>\$ (2,816,291)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Net Deferred Inflow of Resources by Year
(To Be Recognized in Future OPEB Expenses)

2019	\$ (2,097,889)
2020	(2,097,889)
2021	(2,097,889)
2022	(1,563,420)
2023	<u>(693,906)</u>
	<u>\$ (8,550,993)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% Year 12

Troy School District
Notes to the Financial Statements
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- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees: 5.6018 years

Recognition period for assets: 5 years

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Troy School District
Notes to the Financial Statements
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Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	Current	
1% Decrease	Discount Rate	1% Increase
6.15%	7.15%	8.15%
<u>\$82,230,659</u>	<u>\$ 68,498,169</u>	<u>\$56,947,467</u>

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	Current Healthcare	
1% Decrease	Cost Trend Rate	1% Increase
<u>\$56,338,990</u>	<u>\$ 68,498,169</u>	<u>\$82,447,231</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Troy School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 38,903,147	\$ 39,561,078	\$ 39,498,087	\$ (62,991)
State sources	102,660,687	102,631,011	102,636,252	5,241
Federal sources	3,993,668	4,216,617	3,845,504	(371,113)
Interdistrict sources	<u>7,674,748</u>	<u>7,921,040</u>	<u>7,817,110</u>	<u>(103,930)</u>
Total revenues	<u>153,232,250</u>	<u>154,329,746</u>	<u>153,796,953</u>	<u>(532,793)</u>
Expenditures				
Instruction				
Basic programs	87,164,662	82,923,089	82,785,171	(137,918)
Added needs	17,824,538	21,609,571	21,405,276	(204,295)
Adult and continuing education	1,174,307	781,759	816,227	34,468
Supporting services				
Pupil	11,056,114	10,883,113	10,806,720	(76,393)
Instructional staff	8,518,655	8,831,056	8,343,629	(487,427)
General administration	1,029,875	1,045,259	1,005,314	(39,945)
School administration	7,613,180	8,299,648	8,281,996	(17,652)
Business services	1,420,189	1,669,473	1,630,310	(39,163)
Operations and maintenance	9,780,517	10,364,807	9,803,187	(561,620)
Pupil transportation	3,568,807	3,891,974	3,817,430	(74,544)
Central services	2,949,319	3,080,008	2,931,755	(148,253)
Athletic activities	1,865,158	1,978,141	1,931,128	(47,013)
Community services	<u>164,342</u>	<u>218,817</u>	<u>118,691</u>	<u>(100,126)</u>
Total expenditures	<u>154,129,663</u>	<u>155,576,715</u>	<u>153,676,834</u>	<u>(1,899,881)</u>
Excess (deficiency) of revenues over expenditures	<u>(897,413)</u>	<u>(1,246,969)</u>	<u>120,119</u>	<u>1,367,088</u>

Troy School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources				
Transfers in	\$ 78,762	\$ 65,000	\$ 43,902	\$ (21,098)
Net change in fund balance	(818,651)	(1,181,969)	164,021	1,388,186
Fund balance - beginning	<u>25,242,472</u>	<u>25,242,472</u>	<u>25,242,472</u>	<u>-</u>
Fund balance - ending	<u>\$ 24,423,821</u>	<u>\$ 24,060,503</u>	<u>\$ 25,406,493</u>	<u>\$ 1,388,186</u>

Note Disclosures

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

Troy School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net pension liability (%)	0.8664%	0.8689%	0.8515%	0.8440%	0.8052%					
B. School District's proportionate share of net pension liability	\$ 260,469,817	\$ 225,168,031	\$ 212,452,257	\$ 206,148,083	\$ 177,354,841					
C. School District's covered-employee payroll	\$ 77,188,924	\$ 73,207,364	\$ 72,136,475	\$ 73,470,015	\$ 71,628,110					
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	29.63%	32.51%	33.95%	35.64%	40.39%					
E. Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%					

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

2010 - 2014 data is not available as GASB 68 was implemented in fiscal year 2015.

Troy School District
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	\$23,851,102	\$22,141,167	\$19,127,812	\$16,281,923	\$12,505,055					
B. Contributions in relation to statutorily required contributions	<u>23,851,102</u>	<u>22,141,167</u>	<u>19,127,812</u>	<u>16,281,923</u>	<u>12,505,055</u>					
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
D. Reporting unit's covered-employee payroll	\$73,305,657	\$73,147,546	\$75,447,606	\$71,360,808	\$70,933,761					
E. Contributions as a percentage of covered-employee payroll	32.54%	30.27%	25.35%	22.82%	17.63%					

Troy School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net OPEB liability (%)	0.8617%	0.8674%								
B. School District's proportionate share of net OPEB liability	\$ 68,498,169	\$ 76,809,462								
C. School District's covered-employee payroll	\$ 77,188,924	\$ 73,207,364								
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	88.74%	104.92%								
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

2010 - 2017 data is not available as GASB 75 was implemented in fiscal year 2018.

Troy School District
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	\$ 6,319,573	\$ 5,503,226								
B. Contributions in relation to statutorily required contributions	<u>6,319,573</u>	<u>5,503,226</u>								
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D. Reporting unit's covered-employee payroll	\$73,305,657	\$73,147,546								
E. Contributions as a percentage of covered-employee payroll	8.62%	7.52%								

OTHER SUPPLEMENTARY INFORMATION

Troy School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds				Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds	
	Food Service	Adult Education and Community Service	Troy Career Center	Facility Rentals	Troy School District Preschool	2012 Refunding	2014 Debt	2015 Debt	2016 Debt	2014 Capital Projects	Capital Maintenance		Sinking Fund
Assets													
Cash	\$809,345	\$ 895,990	\$ 23,872	\$208,040	\$ 40,884	\$ 683,120	\$ 685,024	\$ 531,338	\$ 493,177	\$ -	\$ 1,017,398	\$ 761,098	\$ 6,149,286
Accounts receivable	2,316	2,675	-	75,938	-	-	-	-	-	-	-	-	80,929
Due from other governmental units	51,847	-	457,526	-	-	-	-	-	-	-	-	-	509,373
Inventory	36,024	-	-	-	-	-	-	-	-	-	-	-	36,024
Investments	-	-	-	-	-	-	-	-	-	207	-	-	207
Total assets	<u>\$899,532</u>	<u>\$ 898,665</u>	<u>\$ 481,398</u>	<u>\$283,978</u>	<u>\$ 40,884</u>	<u>\$ 683,120</u>	<u>\$ 685,024</u>	<u>\$ 531,338</u>	<u>\$ 493,177</u>	<u>\$ 207</u>	<u>\$ 1,017,398</u>	<u>\$ 761,098</u>	<u>\$ 6,775,819</u>
Liabilities													
Checks written excess of deposits	\$ -	\$ -	\$ 452,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 207	\$ -	\$ -	\$ 452,791
Accounts payable	538,051	45,129	28,814	402	40,610	-	-	-	-	-	49,424	489,571	1,192,001
Unearned revenue	150,813	296,164	-	-	-	-	-	-	-	-	-	-	446,977
Total liabilities	<u>688,864</u>	<u>341,293</u>	<u>481,398</u>	<u>402</u>	<u>40,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207</u>	<u>49,424</u>	<u>489,571</u>	<u>2,091,769</u>
Fund Balance													
Non-spendable													
Inventory	36,024	-	-	-	-	-	-	-	-	-	-	-	36,024
Restricted for													
Food service	174,644	-	-	-	-	-	-	-	-	-	-	-	174,644
Debt service	-	-	-	-	-	683,120	685,024	531,338	493,177	-	-	-	2,392,659
Capital projects	-	-	-	-	-	-	-	-	-	-	-	271,527	271,527
Committed	-	557,372	-	283,576	274	-	-	-	-	-	-	-	841,222
Assigned	-	-	-	-	-	-	-	-	-	-	967,974	-	967,974
Total fund balance	<u>210,668</u>	<u>557,372</u>	<u>-</u>	<u>283,576</u>	<u>274</u>	<u>683,120</u>	<u>685,024</u>	<u>531,338</u>	<u>493,177</u>	<u>-</u>	<u>967,974</u>	<u>271,527</u>	<u>4,684,050</u>
Total liabilities and fund balance	<u>\$899,532</u>	<u>\$ 898,665</u>	<u>\$ 481,398</u>	<u>\$283,978</u>	<u>\$ 40,884</u>	<u>\$ 683,120</u>	<u>\$ 685,024</u>	<u>\$ 531,338</u>	<u>\$ 493,177</u>	<u>\$ 207</u>	<u>\$ 1,017,398</u>	<u>\$ 761,098</u>	<u>\$ 6,775,819</u>

Troy School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue Funds				Troy School District Preschool	Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Food Service	Adult and Community Education	Troy Career Center Fund	Facility Rentals		2012 Refunding	2014 Debt	2015 Debt	2016 Debt	2014 Capital Projects	Capital Maintenance	Sinking Fund	
Revenues													
Local sources	\$2,273,031	\$ 4,066,170	\$ -	\$158,126	\$ 18,764	\$5,020,224	\$4,154,515	\$4,778,752	\$2,111,159	\$ 1,960	\$ -	\$ 3,878,091	\$ 26,460,792
State sources	107,348	-	55,425	-	-	60,196	49,724	57,270	25,314	-	-	-	355,277
Federal sources	1,048,386	-	2,099,618	-	-	-	-	-	-	-	-	-	3,148,004
Total revenues	3,428,765	4,066,170	2,155,043	158,126	18,764	5,080,420	4,204,239	4,836,022	2,136,473	1,960	-	3,878,091	29,964,073
Expenditures													
Current													
Education													
Supporting services	-	-	2,141,668	169,368	198,800	-	-	-	-	-	218,495	-	2,728,331
Food services	3,681,063	-	-	-	-	-	-	-	-	-	-	-	3,681,063
Community services	-	3,420,029	-	1,357	-	-	-	-	-	-	-	-	3,421,386
Capital outlay	460,918	-	-	90,706	-	-	-	-	-	107,245	-	3,606,564	4,265,433
Debt service													
Principal	-	-	-	-	-	4,335,000	2,000,000	3,280,000	950,000	-	-	-	10,565,000
Interest and other expenditures	-	-	-	-	219,690	479,888	1,977,750	1,302,250	1,075,070	-	-	-	5,054,648
Total expenditures	4,141,981	3,420,029	2,141,668	261,431	418,490	4,814,888	3,977,750	4,582,250	2,025,070	107,245	218,495	3,606,564	29,715,861
Excess (deficiency) of revenues over expenditures	(713,216)	646,141	13,375	(103,305)	(399,726)	265,532	226,489	253,772	111,403	(105,285)	(218,495)	271,527	248,212
Other Financing Sources (Uses)													
Transfers in	-	-	-	-	400,000	-	-	-	-	-	500,000	-	900,000
Transfers out	(30,527)	(400,000)	(13,375)	(500,000)	-	-	-	-	-	-	-	-	(943,902)
Total other financing sources (uses)	(30,527)	(400,000)	(13,375)	(500,000)	400,000	-	-	-	-	-	500,000	-	(43,902)
Net change in fund balance	(743,743)	246,141	-	(603,305)	274	265,532	226,489	253,772	111,403	(105,285)	281,505	271,527	204,310
Fund balance - beginning	954,411	311,231	-	886,881	-	417,588	458,535	277,566	381,774	105,285	686,469	-	4,479,740
Fund balance - ending	<u>\$ 210,668</u>	<u>\$ 557,372</u>	<u>\$ -</u>	<u>\$283,576</u>	<u>\$ 274</u>	<u>\$ 683,120</u>	<u>\$ 685,024</u>	<u>\$ 531,338</u>	<u>\$ 493,177</u>	<u>\$ -</u>	<u>\$ 967,974</u>	<u>\$ 271,527</u>	<u>\$ 4,684,050</u>

Troy School District
Other Supplementary Information
Budgetary Comparison Schedule - Special Revenue Funds
For the Year Ended June 30, 2019

	Food Service		Adult Education and Community Service		Troy Career Center		Facility Rentals		Troy School District Preschool	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues										
Local sources	\$2,229,300	\$2,273,031	\$4,081,000	\$4,066,170	\$ -	\$ -	\$135,000	\$158,126	\$ 26,000	\$ 18,764
State sources	107,348	107,348	-	-	60,000	55,425	-	-	-	-
Federal sources	1,047,290	1,048,386	-	-	2,385,150	2,099,618	-	-	-	-
Total revenues	<u>3,383,938</u>	<u>3,428,765</u>	<u>4,081,000</u>	<u>4,066,170</u>	<u>2,445,150</u>	<u>2,155,043</u>	<u>135,000</u>	<u>158,126</u>	<u>26,000</u>	<u>18,764</u>
Expenditures										
Current										
Education										
Supporting services	-	-	-	-	2,400,150	2,141,668	157,070	169,368	162,015	198,800
Food services	3,705,719	3,681,063	-	-	-	-	-	-	-	-
Community services	-	-	3,416,201	3,420,029	-	-	-	1,357	-	-
Facilities acquisition	608,485	460,918	-	-	-	-	91,106	90,706	-	-
Debt service										
Interest and other expenditures	-	-	-	-	-	-	-	-	219,690	219,690
Total expenditures	<u>4,314,204</u>	<u>4,141,981</u>	<u>3,416,201</u>	<u>3,420,029</u>	<u>2,400,150</u>	<u>2,141,668</u>	<u>248,176</u>	<u>261,431</u>	<u>381,705</u>	<u>418,490</u>
Excess (deficiency) of revenues over expenditures	(930,266)	(713,216)	664,799	646,141	45,000	13,375	(113,176)	(103,305)	(355,705)	(399,726)
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	-	-	-	-	400,000	400,000
Transfers out	(20,000)	(30,527)	(400,000)	(400,000)	(45,000)	(13,375)	(500,000)	(500,000)	-	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>(30,527)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(45,000)</u>	<u>(13,375)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>400,000</u>	<u>400,000</u>
Net change in fund balance	(950,266)	(743,743)	264,799	246,141	-	-	(613,176)	(603,305)	44,295	274
Fund balance - beginning	954,411	954,411	311,231	311,231	-	-	886,881	886,881	-	-
Fund balance - ending	<u>\$ 4,145</u>	<u>\$ 210,668</u>	<u>\$ 576,030</u>	<u>\$ 557,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$273,705</u>	<u>\$283,576</u>	<u>\$ 44,295</u>	<u>\$ 274</u>

Note Disclosures

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

Troy School District
Other Supplementary Information
Budgetary Comparison Schedule - Debt Service Funds
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>2012 Refunding</u>	<u>2014 Debt</u>	<u>2015 Debt</u>	<u>2016 Debt</u>
Revenues					
Local sources	\$ 16,089,545	\$ 5,020,224	\$ 4,154,515	\$ 4,778,752	\$ 2,111,159
State sources	<u>192,504</u>	<u>60,196</u>	<u>49,724</u>	<u>57,270</u>	<u>25,314</u>
Total revenues	<u>16,282,049</u>	<u>5,080,420</u>	<u>4,204,239</u>	<u>4,836,022</u>	<u>2,136,473</u>
Expenditures					
Debt service					
Principal	10,565,000	4,335,000	2,000,000	3,280,000	950,000
Interest and other expenditures	<u>4,834,958</u>	<u>479,888</u>	<u>1,977,750</u>	<u>1,302,250</u>	<u>1,075,070</u>
Total expenditures	<u>15,399,958</u>	<u>4,814,888</u>	<u>3,977,750</u>	<u>4,582,250</u>	<u>2,025,070</u>
Net change in fund balance	882,091	265,532	226,489	253,772	111,403
Fund balance - beginning	<u>1,535,463</u>	<u>417,588</u>	<u>458,535</u>	<u>277,566</u>	<u>381,774</u>
Fund balance - ending	<u>\$ 2,417,554</u>	<u>\$ 683,120</u>	<u>\$ 685,024</u>	<u>\$ 531,338</u>	<u>\$ 493,177</u>

Note Disclosures

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

Budget adopted for Debt Service Funds in total, therefore not presented on an individual fund level.

Troy School District
Other Supplementary Information
Budgetary Comparison Schedule - Capital Projects Funds
For the Year Ended June 30, 2019

	2014 Capital Projects		Capital Maintenance		Early Childhood Learning Center Capital Projects		2016 Capital Projects		2019 Capital Projects		Sinking Fund	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues												
Local sources	\$ 1,900	\$ 1,960	\$ -	\$ -	\$ 160,000	\$ 160,332	\$ 950,686	\$ 997,000	\$ -	\$ 69,430	\$ 3,882,000	\$ 3,878,091
Expenditures												
Current												
Education												
Supporting services	-	-	190,000	218,495	-	-	-	-	-	-	-	-
Facilities acquisition	107,185	107,245	-	-	13,000,000	14,088,510	15,320,000	12,709,843	-	-	3,882,000	3,606,564
Debt service												
Bond issuance costs	-	-	-	-	-	-	-	-	130,062	212,698	-	-
Total expenditures	<u>107,185</u>	<u>107,245</u>	<u>190,000</u>	<u>218,495</u>	<u>13,000,000</u>	<u>14,088,510</u>	<u>15,320,000</u>	<u>12,709,843</u>	<u>130,062</u>	<u>212,698</u>	<u>3,882,000</u>	<u>3,606,564</u>
Excess (deficiency) of revenues over expenditures	<u>(105,285)</u>	<u>(105,285)</u>	<u>(190,000)</u>	<u>(218,495)</u>	<u>(12,840,000)</u>	<u>(13,928,178)</u>	<u>(14,369,314)</u>	<u>(11,712,843)</u>	<u>(130,062)</u>	<u>(143,268)</u>	<u>-</u>	<u>271,527</u>
Other Financing Sources												
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	26,998,655	27,083,291	-	-
Proceeds from sale of capital assets	-	-	-	-	372,413	424,864	-	-	-	-	-	-
Transfers in	-	-	500,000	500,000	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>372,413</u>	<u>424,864</u>	<u>-</u>	<u>-</u>	<u>26,998,655</u>	<u>27,083,291</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(105,285)</u>	<u>(105,285)</u>	<u>310,000</u>	<u>281,505</u>	<u>(12,467,587)</u>	<u>(13,503,314)</u>	<u>(14,369,314)</u>	<u>(11,712,843)</u>	<u>26,868,593</u>	<u>26,940,023</u>	<u>-</u>	<u>271,527</u>
Fund balance - beginning	<u>105,285</u>	<u>105,285</u>	<u>686,469</u>	<u>686,469</u>	<u>14,335,520</u>	<u>14,335,520</u>	<u>22,951,776</u>	<u>22,951,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$996,469</u>	<u>\$967,974</u>	<u>\$ 1,867,933</u>	<u>\$ 832,206</u>	<u>\$ 8,582,462</u>	<u>\$11,238,933</u>	<u>\$26,868,593</u>	<u>\$26,940,023</u>	<u>\$ -</u>	<u>\$ 271,527</u>

Note Disclosures

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

Troy School District
Fiduciary Funds
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2019

	<u>Balance,</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>June 30, 2019</u>
Assets	\$ 2,103,663	\$ 3,706,180	\$ (3,513,107)	\$ 2,296,736
Liabilities	\$ 2,103,663	\$ 3,706,180	\$ (3,513,107)	\$ 2,296,736

Troy School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2019

Year Ending June 30,	2012 Debt Service Fund		2014 Debt Service Fund		2015 Debt Service Fund		2016 Debt Service Fund		2018 Debt Service Fund		2019 Debt Service Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 4,310,000	\$ 397,656	\$ 2,000,000	\$ 1,877,500	\$ 3,270,000	\$ 1,137,750	\$ 1,625,000	\$ 1,046,640	\$ -	\$ 233,616	\$ 1,030,000	\$ 1,043,564	\$ 12,235,000	\$ 5,736,726
2021	4,260,000	316,197	2,000,000	1,777,500	3,285,000	974,250	1,075,000	998,865	255,000	233,616	1,625,000	1,063,750	12,500,000	5,364,178
2022	4,160,000	235,683	2,000,000	1,677,500	3,270,000	810,000	1,100,000	967,260	260,000	225,966	800,000	998,750	11,590,000	4,915,159
2023	4,155,000	157,059	2,000,000	1,577,500	3,255,000	646,500	1,250,000	934,920	270,000	218,166	850,000	958,750	11,780,000	4,492,895
2024	4,155,000	78,529	2,000,000	1,477,500	3,240,000	483,750	1,400,000	900,375	280,000	210,066	900,000	916,250	11,975,000	4,066,470
2025	-	-	5,900,000	1,377,500	3,225,000	321,750	1,650,000	865,095	290,000	201,666	950,000	871,250	12,015,000	3,637,261
2026	-	-	6,100,000	1,082,500	3,210,000	160,500	1,925,000	823,200	300,000	192,966	1,000,000	823,750	12,535,000	3,082,916
2027	-	-	7,600,000	777,500	-	-	3,600,000	1,150,875	310,000	183,966	1,050,000	773,750	12,560,000	2,886,091
2028	-	-	7,950,000	397,500	-	-	3,625,000	988,875	320,000	174,666	1,100,000	721,250	12,995,000	2,282,291
2029	-	-	-	-	-	-	4,475,000	825,750	330,000	165,066	1,900,000	666,250	6,705,000	1,657,066
2030	-	-	-	-	-	-	4,575,000	624,375	345,000	155,166	2,000,000	571,250	6,920,000	1,350,791
2031	-	-	-	-	-	-	4,650,000	418,500	355,000	144,816	2,100,000	471,250	7,105,000	1,034,566
2032	-	-	-	-	-	-	4,650,000	209,250	370,000	133,810	2,300,000	366,250	7,320,000	709,310
2033	-	-	-	-	-	-	-	-	380,000	121,970	2,500,000	251,250	2,880,000	373,220
2034	-	-	-	-	-	-	-	-	395,000	109,810	2,525,000	126,250	2,920,000	236,060
2035	-	-	-	-	-	-	-	-	410,000	96,776	-	-	410,000	96,776
2036	-	-	-	-	-	-	-	-	420,000	82,426	-	-	420,000	82,426
2037	-	-	-	-	-	-	-	-	435,000	67,726	-	-	435,000	67,726
2038	-	-	-	-	-	-	-	-	450,000	52,500	-	-	450,000	52,500
2039	-	-	-	-	-	-	-	-	465,000	35,626	-	-	465,000	35,626
2040	-	-	-	-	-	-	-	-	485,000	18,188	-	-	485,000	18,188
Total	\$21,040,000	\$ 1,185,124	\$37,550,000	\$ 12,022,500	\$22,755,000	\$ 4,534,500	\$35,600,000	\$ 10,753,980	\$7,125,000	\$3,058,574	\$22,630,000	\$ 10,623,564	\$ 146,700,000	\$ 42,178,242
Principal payments due the first day of	May		May		May		May		May		May			
Interest payments due the first day of	May and November		May and November		May and November		May and November		May and November		May and November			
Interest rate	1.89%		2.00% - 5.00%		5.00%		2.94% - 4.50%		3.00%		4.00 - 5.00%			
Original issue	<u>\$43,580,000</u>		<u>\$52,710,000</u>		<u>\$31,930,000</u>		<u>\$40,000,000</u>		<u>\$7,125,000</u>		<u>\$22,630,000</u>			

STATISTICAL SECTION (UNAUDITED)

Troy School District
Statistical Section Summary (Unaudited)
June 30, 2019

Financial Trend information

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

Revenue Capacity Information

These schedules contain information to help the reader assess the School District's most significant local revenue source, property taxes.

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within the School District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.

Troy School District
Financial Trend Information (Unaudited)
Net Position by Component- Last Ten Fiscal Years

	June 30								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities									
Net investment in capital assets	\$ 42,262,738	\$ 44,635,062	\$ 49,650,160	\$ 48,963,971	\$ 50,345,593	\$ 52,850,787	\$ 52,187,495	\$ 64,080,214	\$ 68,823,977
Restricted	254,502	964,489	1,098,915	1,325,280	1,525,050	2,110,382	2,806,234	1,701,818	1,999,716
Unrestricted	<u>12,808,528</u>	<u>14,978,449</u>	<u>14,608,921</u>	<u>(159,373,218)</u>	<u>(159,337,830)</u>	<u>(164,387,265)</u>	<u>(238,084,097)</u>	<u>(245,531,896)</u>	<u>(252,731,885)</u>
Total primary government net position	<u>\$ 55,325,768</u>	<u>\$ 60,578,000</u>	<u>\$ 65,357,996</u>	<u>\$ (109,083,967)</u>	<u>\$ (107,467,187)</u>	<u>\$ (109,426,096)</u>	<u>\$ (183,090,368)</u>	<u>\$ (179,749,864)</u>	<u>\$ (181,908,192)</u>

Source: Data included in this schedule from 2010-2018 has been excerpted from prior financial statements.

Note: A prior period adjustment was recorded in 2016, which required a restatement of the 2015 financial statements. Also, prior period adjustments were recorded in 2015 and 2018 to reflect the implementation of GASB 68 and 75, respectively.

Troy School District
Financial Trend Information (Unaudited)
Changes in Governmental Net Position - Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Instruction	\$ 91,308,634	\$ 91,898,069	\$ 83,976,599	\$ 87,870,523	\$ 91,406,718	\$ 93,200,608	\$ 101,854,565	\$ 101,201,673	\$ 110,991,618	\$ 111,616,317
Support services	53,767,043	50,536,487	52,377,200	51,272,032	51,044,441	52,626,314	54,243,566	58,358,918	58,770,663	61,412,099
Food services	3,199,402	3,188,874	3,200,155	3,165,119	3,251,038	3,421,925	3,379,220	3,993,896	3,928,310	3,905,867
Athletics	2,201,651	1,940,250	1,933,989	1,946,554	1,991,675	1,739,618	1,636,069	1,758,020	1,843,331	1,931,128
Community services	2,776,876	3,009,115	3,023,284	2,000,169	2,135,687	2,270,469	2,706,054	2,715,707	3,483,990	3,888,821
Other	173,114	-	73,880	91,187	416,246	-	-	-	-	-
Interest on long-term debt	6,958,667	6,647,705	6,137,988	4,738,351	3,846,343	4,889,258	4,627,733	4,469,693	5,069,657	4,591,605
Total governmental activities	160,385,387	157,220,500	150,723,095	151,083,935	154,092,148	158,148,192	168,447,207	172,497,907	184,087,569	187,345,837
Program revenue:										
Charges for services:										
Instruction	1,402,597	2,106,145	1,903,679	663,813	784,889	463,496	488,463	462,953	568,971	603,071
Support services	236,142	177,094	-	-	-	99,141	101,214	111,728	113,563	116,643
Food services	2,386,859	2,428,530	2,437,770	2,286,324	2,325,177	2,301,069	2,408,187	2,392,223	2,382,497	2,273,020
Athletics	432,518	576,170	628,042	636,055	624,520	617,879	640,163	622,554	639,532	636,656
Community services	2,022,432	2,100,225	2,386,819	2,572,614	2,737,638	3,341,922	3,970,320	3,909,779	4,087,294	4,223,836
Operating grants and contributions	24,576,393	23,888,708	22,809,337	23,286,360	21,234,000	25,532,747	28,582,037	30,632,594	34,244,702	35,392,379
Total program revenue	31,056,941	31,276,872	30,165,647	29,445,166	27,706,224	32,356,254	36,190,384	38,131,831	42,036,559	43,245,605
Net expense	(129,328,446)	(125,943,628)	(120,557,448)	(121,638,769)	(126,385,924)	(125,791,938)	(132,256,823)	(134,366,076)	(142,051,010)	(144,100,232)
General Revenue										
Property taxes	61,997,936	58,211,136	53,454,199	51,280,806	49,347,295	49,975,301	50,777,589	53,098,343	54,637,309	57,266,919
State aid - unrestricted	61,239,849	68,168,710	71,495,549	74,507,547	80,048,303	77,093,615	78,611,473	79,978,729	81,468,745	82,083,583
Federal sources - unrestricted	3,414,174	2,748,170	101,652	-	-	-	-	-	-	-
Interest and investment earnings	607,949	375,274	22,832	17,303	11,718	3,638	96,248	221,146	460,082	851,252
Gain (Loss) on sale of capital asset	-	(4,791,748)	-	-	14,282	-	(2,615)	1,200	8,352,188	212,049
Other	349,576	403,786	735,448	613,109	398,539	336,164	815,219	1,171,586	473,190	1,528,100
Total general revenue	127,609,484	125,115,328	125,809,680	126,418,765	129,820,137	127,408,718	130,297,914	134,471,004	145,391,514	141,941,903
Changes in Net Position	\$ (1,718,962)	\$ (828,300)	\$ 5,252,232	\$ 4,779,996	\$ 3,434,213	\$ 1,616,780	\$ (1,958,909)	\$ 104,928	\$ 3,340,504	\$ (2,158,329)

Source: Data included in this schedule from 2010-2018 has been excerpted from prior financial statements.

Troy School District
Financial Trend Information (Unaudited)
Fund Balances - Governmental Funds - Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund									
Nonspendable	\$ 631,500	\$ 553,640	\$ 636,986	\$ 379,313	\$ 470,218	\$ 493,772	\$ 489,092	\$ 455,901	\$ 782,875
Assigned	1,106,970	3,163,998	-	-	-	-	-	-	-
Unassigned	<u>18,018,367</u>	<u>19,360,943</u>	<u>21,433,250</u>	<u>21,000,702</u>	<u>20,231,419</u>	<u>21,038,513</u>	<u>23,716,299</u>	<u>24,786,571</u>	<u>24,623,618</u>
Total General Fund	<u>\$ 19,756,837</u>	<u>\$ 23,078,581</u>	<u>\$ 22,070,236</u>	<u>\$ 21,380,015</u>	<u>\$ 20,701,637</u>	<u>\$ 21,532,285</u>	<u>\$ 24,205,391</u>	<u>\$ 25,242,472</u>	<u>\$ 25,406,493</u>
All Other Government Funds									
Nonspendable	\$ 68,060	\$ 54,510	\$ 138,930	\$ 95,318	\$ 55,497	\$ 43,359	\$ 34,918	\$ 41,549	\$ 36,024
Restricted	5,242,648	1,160,639	1,043,418	52,935,633	33,408,409	14,905,377	41,786,386	39,840,906	41,849,992
Committed	1,340,428	1,870,844	2,411,625	3,024,664	3,084,978	753,043	1,090,947	1,198,112	841,222
Assigned	-	-	-	-	-	-	2,174,557	686,469	967,974
Unassigned	<u>-</u>	<u>(1,859,077)</u>	<u>(3,022,218)</u>	<u>(39,821)</u>	<u>(146,872)</u>	<u>2,569,438</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 6,651,136</u>	<u>\$ 1,226,916</u>	<u>\$ 571,755</u>	<u>\$ 56,015,794</u>	<u>\$ 36,402,012</u>	<u>\$ 18,271,217</u>	<u>\$ 45,086,808</u>	<u>\$ 41,767,036</u>	<u>\$ 43,695,212</u>

Source: Data included in this schedule from 2010-2018 has been excerpted from prior financial statements.

Troy School District
Financial Trend Information (Unaudited)
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Local sources	\$ 69,343,129	\$ 65,740,243	\$ 61,234,662	\$ 57,865,103	\$ 56,158,802	\$ 57,046,419	\$ 59,248,778	\$ 61,515,660	\$ 63,195,894	\$ 67,185,641
State sources	67,205,629	74,091,437	79,208,070	83,608,210	87,337,983	90,333,958	94,448,980	97,409,955	102,218,608	102,991,529
Federal sources	12,646,069	12,777,299	6,490,527	6,491,677	5,847,491	6,106,109	5,814,843	5,834,392	6,111,461	6,993,508
Interdistrict sources	9,144,341	8,247,213	8,696,443	7,684,248	7,143,518	7,145,883	7,011,587	7,610,128	7,537,593	7,817,110
Total revenues	158,339,168	160,856,192	155,629,702	155,649,238	156,487,794	160,632,369	166,524,188	172,370,135	179,063,556	184,987,788
Expenditures										
Current										
Instruction	89,888,197	91,406,553	85,883,693	88,303,787	90,372,588	93,935,867	97,217,899	99,214,158	104,214,738	105,006,674
Support services	44,791,202	42,611,688	40,711,527	43,470,086	42,601,282	42,810,578	42,865,952	44,755,225	47,337,756	49,348,852
Community services	2,774,654	3,007,782	3,021,951	1,998,836	2,134,354	2,292,046	2,608,058	2,672,036	3,329,338	3,539,897
Facilities acquisition	173,114	-	73,880	91,187	-	19,724,689	19,149,741	14,656,965	17,761,742	-
Athletics	1,928,893	1,651,659	1,657,870	1,696,702	1,759,847	1,739,618	1,636,069	1,758,020	1,843,331	1,931,128
Food services	3,141,616	3,162,503	3,179,306	3,145,374	3,231,293	3,451,865	3,229,152	3,553,109	3,502,376	3,681,063
Debt service										
Principal	11,495,000	11,925,000	12,490,900	13,085,900	8,690,900	10,630,898	11,660,000	11,310,000	13,105,000	10,565,000
Interest	6,881,250	6,350,200	5,795,891	4,470,151	3,327,532	4,963,082	4,923,585	4,430,246	5,665,142	5,054,648
Other	161,670	394,033	437,583	577,214	416,246	1,055,059	37,516	144,555	64,012	212,698
Capital outlay	3,738,472	3,849,476	4,479,577	625,155	7,461,887	691,641	502,348	619,824	-	31,063,786
Total expenditures	164,974,068	164,358,894	157,732,178	157,464,392	159,995,929	181,295,343	183,830,320	183,114,138	196,823,435	210,403,746
Deficiency of revenues over expenditures	(6,634,900)	(3,502,702)	(2,102,476)	(1,815,154)	(3,508,135)	(20,662,974)	(17,306,132)	(10,744,003)	(17,759,879)	(25,415,958)

Troy School District
Financial Trend Information (Unaudited)
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other Financing Sources (Uses)										
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ 43,580,000	\$ 52,710,000	\$ 31,930,000	\$ -	\$ 40,000,000	\$ 7,125,000	\$ 22,630,000
Premium on issuance of bonds	-	-	-	-	5,510,442	5,574,183	-	-	-	4,453,291
Proceeds from sale of capital assets	18,908	-	-	-	41,511	44,450	5,985	232,700	8,352,188	424,864
Transfers in	2,520,080	752,058	1,320,236	1,345,540	107,708	1,605,170	5,216,559	802,379	5,472,872	943,902
Transfers out	(1,920,080)	(752,058)	(1,320,236)	(1,345,540)	(107,708)	(1,580,263)	(5,216,559)	(802,379)	(5,472,872)	(943,902)
Debt defeasance	-	-	-	(43,428,352)	-	(37,202,726)	-	-	-	-
Other	154,498	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	773,406	-	-	151,648	58,261,953	370,814	5,985	40,232,700	15,477,188	27,508,155
Net change in fund balance	(5,861,494)	(3,502,702)	(2,102,476)	(1,663,506)	54,753,818	(20,292,160)	(17,300,147)	29,488,697	(2,282,691)	2,092,197
Fund balance - beginning	35,772,169	29,910,675	26,407,973	24,305,497	22,641,991	77,395,809	57,103,649	39,803,502	69,292,199	67,009,508
Fund balance - ending	\$ 29,910,675	\$ 26,407,973	\$ 24,305,497	\$ 22,641,991	\$ 77,395,809	\$ 57,103,649	\$ 39,803,502	\$ 69,292,199	\$ 67,009,508	\$ 69,101,705
Debt service as a percentage of of noncapital expenditures	11.33%	11.30%	11.73%	11.16%	7.88%	9.50%	9.98%	9.09%	10.30%	8.54%

Source: Data included in this schedule from 2010-2018 has been excerpted from prior financial statements.

Troy School District
Revenue Capacity Information (Unaudited)
Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years

Taxable Value by Property Type

Real Property

<u>Tax Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Agricultural and Other</u>	<u>Personal Property</u>	<u>Total Value</u>	<u>Tax Rate (Mills)</u>	<u>Estimated Actual Value</u>	<u>Taxable Value as a Percentage of Actual</u>
2009	\$ 2,498,444,569	\$ 1,174,009,185	\$ 354,556,100	\$ -	\$ 355,992,100	\$ 4,383,001,954	22.1000	\$ 8,766,003,908	50.00%
2010	2,228,267,664	1,031,219,807	304,152,000	-	322,755,150	3,886,394,621	22.7000	7,772,789,242	50.00%
2011	2,102,682,450	995,799,580	163,123,060	-	301,376,730	3,562,981,820	22.7000	7,125,963,640	50.00%
2012	2,116,563,380	825,249,420	205,855,470	-	311,243,810	3,458,912,080	22.9500	6,917,824,160	50.00%
2013	2,167,941,140	761,103,818	194,670,340	-	323,806,650	3,447,521,948	22.7000	6,895,043,896	50.00%
2014	2,237,229,620	731,677,310	191,295,720	-	332,280,180	3,492,482,830	22.5920	6,984,965,660	50.00%
2015	2,325,897,703	743,060,107	193,552,920	-	341,000,860	3,603,511,590	22.5794	7,207,023,180	50.00%
2016	2,343,454,337	748,668,967	195,013,921	-	343,574,846	3,630,712,070	22.7000	7,261,424,140	50.00%
2017	2,417,387,678	772,288,628	201,166,390	-	354,414,244	3,745,256,940	22.7000	7,490,513,880	50.00%
2018	2,596,222,560	795,084,260	212,890,030	-	299,259,090	3,903,455,940	23.0922	7,806,911,880	50.00%

Note: Under Michigan law, the revenue base is taxable value.

Taxes levied in a particular "tax year" becomes revenue of the subsequent fiscal year.

Source: City of Troy, Assessing Department

Troy School District
Revenue Capacity Information (Unaudited)
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years

		Millage Rates - Direct School District Taxes						Overlapping Taxes							
		Operating			Total Direct Taxes			Oakland County		Oakland County	State	City of	Zoo	Art	SMART**
Tax Year	Year Ended June 30	Homestead	Non-homestead	Debt*	Sinking Fund*	Homestead	Non-homestead	Oakland County	Community College	Intermediate School District	Education	Troy			
2009	2010	4.6686	18.0000	4.1000	0.0000	8.7686	22.1000	4.6461	1.5844	3.3690	6.0000	9.4000	0.0998	-	0.5950
2010	2011	5.0381	18.0000	4.7000	0.0000	9.7381	22.7000	4.6461	1.5844	3.3690	6.0000	9.4900	0.0998	-	0.5950
2011	2012	5.4608	18.0000	4.7000	0.0000	10.1608	22.7000	4.6461	1.5844	3.3690	6.0000	9.4900	0.0998	-	0.5950
2012	2013	5.5563	18.0000	4.9500	0.0000	10.5063	22.9500	4.6461	1.5844	3.3690	6.0000	10.5200	0.0998	0.1996	0.5950
2013	2014	5.3741	18.0000	4.7000	0.0000	10.0741	22.7000	4.6461	1.5844	3.3690	6.0000	10.5000	0.0998	0.1996	0.5950
2014	2015	5.2580	17.8920	4.7000	0.0000	9.9580	22.5920	4.6461	1.5844	3.3690	6.0000	10.5000	0.0998	0.1996	0.5950
2015	2016	4.9918	17.8794	4.7000	0.0000	9.6918	22.5794	4.5456	1.5819	3.3634	6.0000	10.4974	0.0998	0.1996	1.0000
2016	2017	5.6320	18.0000	4.7000	0.0000	10.3320	22.7000	4.0400	1.5707	3.3398	6.0000	10.3989	0.0990	0.1981	1.0000
2017	2018	5.6320	18.0000	4.7000	0.0000	10.3320	22.7000	4.0400	1.5550	3.3079	6.0000	10.3582	-	-	-
2018	2019	5.2320	18.0000	4.1000	0.9922	9.3320	23.0922	4.0400	1.5431	3.2813	6.0000	10.2964	-	-	-

* Debt and sinking fund millages apply to homestead and nonhomestead property

** Suburban Mobility Authority Regional Transportation

Source: Municipal Advisory Council of Michigan and City of Troy

Troy School District
Revenue Capacity Information (Unaudited)
Principal Property Taxpayers - Current Year and Nine Years Ago

Taxpayer	2018 Taxable Value	% of Total	2009 Taxable Value	% of Total
1 FRANKEL FORBES COHEN	\$ 54,119,590	1.39%	\$ 69,981,710	1.60%
2 TROY APTS	29,512,510	0.76%	*	-
3 TROY OFFICENTRE	28,310,750	0.73%	*	-
4 DTE	27,860,110	0.71%	*	-
5 CC TROY	20,851,440	0.53%	*	-
6 DELPHI	18,410,160	0.47%	*	-
7 WILSHIRE PLAZA	16,728,420	0.43%	*	-
8 755 TOWER ASSOC	14,745,950	0.38%	*	-
9 KELLY SERVICES	13,694,610	0.35%	*	-
10 REGENTS PARK	13,314,290	0.34%	*	-
11 ALL OTHERS	<u>3,679,222,400</u>	94.34%	<u>4,313,020,244</u>	98.40%
Total	<u>\$ 3,903,455,940</u>		<u>\$ 4,383,001,954</u>	

Source: City of Troy, Assessing Department

Notes: Taxable values do not reflect adjustments from Board of Review appeals and Michigan Tax Tribunal decisions.
Taxes levied in a particular "tax year" become revenue in the subsequent fiscal year.

* Data not available

Troy School District
Revenue Capacity Information (Unaudited)
Property Tax Levies and Collections - Last Ten Fiscal Years

<u>Tax Year</u>	<u>Year Ended June 30</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percent Collected</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>
2009	2010	\$ 61,915,697	\$ 59,606,369	96.27%	\$ 169,603	\$ 59,775,972	96.54%
2010	2011	58,130,197	55,664,986	95.76%	172,543	55,837,529	96.06%
2011	2012	53,411,375	53,294,220	99.78%	150,362	53,444,582	100.06%
2012	2013	51,334,635	51,107,593	99.56%	173,214	51,280,807	99.90%
2013	2014	49,457,295	49,116,127	99.31%	231,168	49,347,295	99.78%
2014	2015	49,928,293	48,917,135	97.97%	830,632	49,747,767	99.64%
2015	2016	50,867,677	49,811,759	97.92%	886,090	50,697,849	99.67%
2016	2017	52,985,629	51,980,465	98.10%	823,575	52,804,040	99.66%
2017	2018	54,512,259	53,587,874	98.30%	836,283	54,424,157	99.84%
2018	2019	57,508,396	56,473,447	98.20%	793,458	57,266,905	99.58%

Source: Troy School District

Troy School District
Revenue Capacity Information (Unaudited)
Summary of Taxable Assessed Value, Foundation Allowance, and Retirement Rate History - Last Ten Fiscal Years

	<u>Taxable Assessed Value</u>	<u>Foundation Allowance</u>	<u>Executive Order Reduction per Pupil</u>	<u>Retirement Rate (Percent)</u>
2009-2010	\$ 4,383,001,954	\$ 9,121.00	\$ (154.00)	16.94
2010-2011	3,886,394,621	9,105.00	(170.00)	19.63
2011-2012	3,562,981,820	8,805.00	-	23.51
2012-2013	3,458,912,080	8,805.00	-	20.96 - 25.36
2013-2014	3,447,521,948	8,835.00	-	20.96 - 24.79
2014-2015	3,492,482,830	8,885.00	-	20.96 - 25.78
2015-2016	3,603,511,590	8,955.00	-	20.96 - 25.78
2016-2017	3,630,712,070	8,964.00	-	20.96 - 24.94
2017-2018	3,745,256,940	9,075.00	-	20.96 - 25.56
2018-2019	3,903,455,940	9,195.00	-	20.96 - 27.16

Source: Troy School District
City of Troy, Assessing Department
State Aid Status Report

Troy School District
Debt Capacity Information (Unaudited)
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less Pledged Debt Service Funds	Net General Bonded Debt	Other General Obligation Debt	Total General Obligation Debt	Taxable Value	Bonded Debt as a Percentage of Taxable Value	Total Debt as a Percentage of Taxable Value	Population	Net General Bonded Debt per Capita	Total Debt per Capita
2010	\$ 127,965,000	\$780,922.00	\$ 127,184,078	\$ 6,695,570	\$ 133,879,648	\$4,383,001,954	2.92%	2.92%	80,084	\$ 1,598	\$ 1,600
2011	116,040,000	233,719	115,806,281	6,229,553	122,035,834	3,886,394,621	2.99%	2.99%	80,980	1,433	1,434
2012	103,580,000	-	103,580,000	5,766,546	109,346,546	3,562,981,820	2.91%	2.91%	81,151	1,276	1,278
2013	93,605,000	-	93,605,000	5,312,567	98,917,567	3,458,912,080	2.71%	2.71%	81,945	1,142	1,143
2014	137,655,000	853,935	136,801,065	10,369,030	147,170,095	3,447,521,948	3.99%	3.99%	83,270	1,653	1,653
2015	123,585,000	1,054,935	122,530,065	11,173,189	133,703,254	3,492,482,830	3.54%	3.54%	83,319	1,483	1,483
2016	111,925,000	1,221,661	110,703,339	10,897,023	121,600,362	3,603,511,590	3.11%	3.11%	82,339	1,359	1,359
2017	140,615,000	2,643,654	137,971,346	10,353,730	148,325,076	3,630,712,070	3.87%	3.87%	83,181	1,690	1,690
2018	134,635,000	1,535,463	133,099,537	9,723,801	142,823,338	3,745,256,940	3.59%	3.59%	87,177	1,544	1,544
2019	146,700,000	2,392,659	144,307,341	13,352,886	157,660,227	3,903,455,940	3.70%	4.04%	85,584	1,686	1,842

Population information obtained from City of Troy, Department of Planning and SEMCOG/U.S. Bureau of Census

Source: Troy School District and City of Troy, Department of Planning

Troy School District
Debt Capacity Information (Unaudited)
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
City of Troy	\$ 13,397,606	80.19%	\$ 10,743,541
Oakland County at Large	314,844,309	6.81%	21,440,897
Oakland Intermediate School District	43,855,000	6.82%	<u>2,990,911</u>
Total overlapping debt			35,175,349
Direct district debt			<u>144,307,341</u>
Total direct and overlapping debt			<u><u>\$ 179,482,690</u></u>

Source: Municipal Advisory Council of Michigan

Troy School District
Debt Capacity Information (Unaudited)
Legal Debt Margin - Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Calculation of debt limit:										
Taxable value	\$ 4,383,001,954	\$ 3,886,394,621	\$ 3,562,981,820	\$ 3,458,912,080	\$ 3,447,521,948	\$ 3,492,482,830	\$ 3,603,511,590	\$ 3,630,712,070	\$ 3,745,256,940	\$ 3,903,455,940
15% of taxable value	657,450,293	582,959,193	534,447,273	518,836,812	517,128,292	523,872,425	540,526,739	544,606,811	561,788,541	585,518,391
Debt subject to limit	<u>128,119,498</u>	<u>116,040,000</u>	<u>103,580,000</u>	<u>93,605,000</u>	<u>137,655,000</u>	<u>123,585,000</u>	<u>111,925,000</u>	<u>140,615,000</u>	<u>134,635,000</u>	<u>144,307,341</u>
Legal debt margin	<u>\$ 529,330,795</u>	<u>\$ 466,919,193</u>	<u>\$ 430,867,273</u>	<u>\$ 425,231,812</u>	<u>\$ 379,473,292</u>	<u>\$ 400,287,425</u>	<u>\$ 428,601,739</u>	<u>\$ 403,991,811</u>	<u>\$ 427,153,541</u>	<u>\$ 441,211,050</u>
Net debt subject to limit as % of debt limit	19.49%	19.91%	19.38%	18.04%	26.62%	23.59%	20.71%	25.82%	23.97%	24.65%

Troy School District
Demographic and Economic Information (Unaudited)
Demographic and Economic Statistics - Last Ten Fiscal Years

Fiscal Year	Population	Total Personal Income (in thousands)	Ratio of Total Debt to Personal Income	Per Capita Personal Income	Unemployment Rate
2010	80,084	\$ 2,524,004	5.304%	\$ 31,517	11.93%
2011	80,980	2,661,920	4.585%	32,871	8.53%
2012	81,151	2,835,993	3.856%	34,947	9.65%
2013	81,945	3,139,525	3.151%	38,313	7.66%
2014	83,270	3,154,588	4.665%	37,884	6.51%
2015	83,319	3,696,092	3.617%	44,361	4.78%
2016	82,339	3,830,797	3.174%	46,525	3.71%
2017	83,181	Not Available	- %	-	3.27%
2018	87,177	Not Available	- %	-	3.02%
2019	85,584	Not Available	- %	-	2.77%

Population source prior to 2010 was Oakland County Trends
2010 and beyond, population source is SEMCOG

Source: State of Michigan

Unemployment Source: Michigan Labor Market Information database

Troy School District
Demographic and Economic Information (Unaudited)
Principal Employers - Current Year and Nine Years Ago

Taxpayer	2019		Percentage of		2009		Percentage of	
	Employees	Rank	Total Employment		Employees**	Rank	Total Employment	
William Beaumont Hospital	2,300	1	5.33%		1,500	2	4.28%	
Troy School District*	1,070	2	2.48%		1,371	3	3.91%	
Meritor, Inc. (FKA arvin Meritor Automotive)	1,000	3	2.32%		775	8	2.21%	
Magna International of America, Inc.	700	4	1.62%		-	-	-	
MAHLE Industries, Inc. (FKA Behr America, Inc.)	500	5	1.16%		300	9	0.86%	
Plex Systems, Inc.	470	6	1.09%		-	-	-	
Inteva Products, LLC	350	7	0.81%		-	-	-	
Utica Enterprises Inc.	350	8	0.81%		-	-	-	
Altair Engineering, Inc.	300	9	0.70%		-	-	-	
Vehma International	300	10	0.70%		-	-	-	
City of Troy	-		-		791	7	2.26%	
Delphi Automotive LLC	-		-		1,000	5	2.85%	
Flagstar Bank FSB	-		-		1,600	1	4.57%	
Kelly Services	-		-		1,200	4	3.42%	
BBDO Detroit	-		-		900	6	2.57%	
Sterling Cleaning Service	-		-		299	10	0.85%	
Total principal employers	7,340				9,736			
Total employment	43,159				35,041			

Source: PFM and Michigan Department of Labor

* Information provided by Troy School District

** Information not available for the 2010 year; 2009 presented

Troy School District
Operating Information (Unaudited)
Full-time Equivalent School District Employees - Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government:										
Instruction	867	855	785	771	776	787	825	848	840	875
Support services	263	241	216	215	243	276	249	308	153	164
Community service	51	50	36	42	9	9	53	79	27	29
Athletics	-	-	-	-	-	-	-	-	1	1
Food service	-	-	-	-	-	-	-	-	-	1
Total	<u>1,181</u>	<u>1,146</u>	<u>1,037</u>	<u>1,028</u>	<u>1,028</u>	<u>1,072</u>	<u>1,127</u>	<u>1,235</u>	<u>1,021</u>	<u>1,070</u>

Source: School District REP report

Troy School District
Operating Information (Unaudited)
Operating Indicators - Last Ten Fiscal Years

Year	Enrollment	Operating Expenditures	Cost per Pupil	Operating Revenue	Revenue per Pupil	Total Teaching Staff	Students Qualifying for Free/Reduced Meals	Average Teacher Salary
2010	12,076	\$ 136,053,498	\$ 11,266	\$ 134,719,100	\$ 11,156	773	12.00%	\$ 75,454
2011	12,032	137,073,866	11,392	137,351,598	11,416	742	14.00%	77,324
2012	12,312	127,464,365	10,353	130,865,059	10,629	736	15.00%	76,574
2013	12,438	132,351,755	10,641	131,343,410	10,560	762	16.00%	73,683
2014	12,591	133,270,712	10,585	132,538,980	10,526	756	15.00%	75,505
2015	12,563	137,233,758	10,924	135,821,734	10,812	787	14.00%	72,769
2016	12,731	140,248,064	11,017	140,413,422	11,030	825	12.20%	73,622
2017	12,932	143,554,320	11,101	146,167,117	11,303	848	11.37%	73,603
2018	13,034	150,737,172	11,565	151,692,331	11,638	840	15.00%	74,459
2019	13,061	153,676,834	11,766	153,796,953	11,775	875	14.00%	74,442

Source: Troy School District and Michigan Dept. of Education Bulletin 1014

Troy School District
Operating Information (Unaudited)
Capital Asset Information - Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Instructional buildings:										
Elementary:										
Number of buildings	12	12	12	12	12	12	12	12	12	12
Square footage	717,462	717,462	717,462	717,462	717,462	717,462	717,462	717,462	717,462	717,462
Capacity	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
Enrollment	5,138	5,204	5,344	5,462	5,588	5,534	5,591	5,609	5,647	5,603
Middle:										
Number of buildings	4	4	4	4	4	4	4	4	4	4
Square footage	450,492	450,492	450,492	450,492	450,492	450,492	450,492	450,492	450,492	450,492
Capacity	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885
Enrollment	2,806	2,831	2,873	2,806	2,821	2,864	2,921	2,988	2,995	3,065
High:										
Number of buildings	4	4	4	4	4	4	4	4	4	4
Square footage	851,426	851,426	851,426	851,426	851,426	851,426	851,426	851,426	851,426	851,426
Capacity	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596
Enrollment	4,112	4,047	4,123	4,158	4,182	4,197	4,219	4,334	4,392	4,393
Administrative:										
Number of buildings	2	2	2	2	2	2	2	2	2	2
Square footage	41,143	41,143	41,143	41,143	41,143	41,143	41,143	41,143	41,143	41,143
Transportation/Maintenance:										
Number of buildings	2	2	2	2	2	2	2	2	2	2
Buses	81	81	79	68	68	55	56	65	69	69

Source: Troy School District - February Count Day